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NEWS SUMMARY

GENERAL

BUSINESS

Absentee Equities rise to year's peak

Mr. John Stonehouse, the absentee Labour MP for Walsall North, plans to attend meetings called by his constituency party on June 11 and 13, to discuss his future.

In a letter to the local party chairman, he says he is confident that when his side of the story is heard, the selection of a new candidate will be unnecessary.

Mr. Stonehouse is at present in Melbourne facing extradition proceedings. Six new fraud, forgery and theft charges have been added to the 15 he faces in court on May 2. Proceedings are due to be resumed on May 26.

Yesterday, a question from Mr. Stonehouse appeared on the Commons order paper asking Mr. Healey how much money could be saved by cutting the number of civil servants by 20 per cent.

This was seen by many MPs as a delaying tactic, since the select committee recommended expulsion largely on the grounds that he had abandoned his Parliamentary duties. Page 10.

Lisbon Ministry powerless

The Portuguese Information Ministry yesterday declared it had no power to intervene in the closure of the Socialist newspaper "República" after military occupation. Relations between the military and political parties are to be discussed by the General Assembly within a week. Page 5.

Geneva moves by U.S. and Russia

U.S. Secretary of State Dr. Edmunds Dell said foreign leaders would withdraw their money from the U.K. if the country did not "come to grips with inflation". He added: "The Government must bring public expenditure under better control." Back Page

Writ for Guardian

Solicitors yesterday issued legal writs on behalf of Mr. Robert Lindsay, Mr. Wayne Rathwell and Centri-Spray in respect of an article which appeared on the front page of the *Guardian*.

Indictments were granted restraining the defendants—*Guardian* Newspapers, editor Mr. Alistair Hetherington, and reporter Mr. Peter Hillmore and Mr. Charles Cook—from publishing further words defamatory of Mr. Lindsay, Mr. Rathwell or Centri-Spray pending the hearing on Friday.

Close control

Casting vote of the retiring Lord Mayor, retained Labour's overall control of Birmingham City Council. Lord's 68 seats are equalled by the combined Conservative and Liberal opposition. The retiring Labour incumbent voted for the Labour Mayoral candidate. Back Page

More for students

Student grants are to go up 22 per cent. to £740 a year in October, adding about £44m. to the current public bill of £200m. a year. Page 2.

Name dropping

Middle-Class Association is changing its name to the Voice of the Independent Centre, because the title has proved a hindrance to recruiting. Back Page

Like father...

Mr. Douglas Hogg, Lord Hailsham's 30-year-old son, is one of four short-listed as Conservative candidate for the marginal Oxford seat, held by his father from 1935 to 1950.

Briefly...

Four people were killed and eight others injured when a mini-bus and a lorry crashed head-on in Harthill, Lancashire.

Crew of a Cambodian gumbot, said to have been involved in the Mayaguez Incident, has sought asylum in Thailand. Page 5.

CHIEF PRICE CHANGES

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Associated Newspapers... 115 + 7
Aust. & N.Z. Bk... 220 + 20
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Barclays Bank... 295 + 10
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Taylor Woodrow... 145 + 14
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Woolworth (P. W.)... 504 + 4
Shell Transport... 338 + 7
Emperors Minet... 185 + 15
Pancontinental... 335 + 35
Fox Platinums... 215 + 9
PAULS... 51 - 5
Dunlop... 89 - 5
Laporte Ind... 179 - 7
MPC... 278 - 8
Reed Int'l... 72 - 6
Tricentrol... 82 - 8
Deckers... 28 - 8
Hartbees... 127 - 4
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Wilson: Strike will not make us take over Chrysler

BY JOHN BOURNE and KENNETH GOODING

The Prime Minister last night gave a stern warning to any Chrysler workers who thought their strike could force the Government to bring the company into public ownership.

Speaking at the annual dinner that the Government would not be ready to sustain the company if which got into problems or who could not be prepared to consider the use of investment within the resources available for essential modernisation—in which our arguments have had a measurable effect in influencing the Government towards major projects which can be demonstrated to be in the national economy. Mr. Wilson continued: "We have always given you a courteous hearing, but, search as may, I can find no evidence that our arguments have had a measurable effect in influencing the Government to bring the company into public ownership."

"But I am not prepared, and have made clear that in the massive investment assistance to British Leyland, the performance of the Corporation will be strictly monitored, and cooperation in terms both of industrial peace and modernisation and productivity problems will be an essential part of that performance."

"But there is more I want to say on this." He then gave his warning to the Chrysler strikers. At the same dinner, Mr. Ralph Bateman, CBI President, strongly attacked the Government's industrial policy.

Mr. Wilson said he had read an account of the CBI in London. Mr. Wilson is not prepared to contemplate the use of one penny of taxpayer's money or money borrowed by the Government to stratify that kind of political industrial ambition.

"The sooner this is realised, the better it will be for the livelihood and security of the workers there, and their families."

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"I hope no one will harbour such illusions which are as damaging to those who hold them, and their employment prospects, as they are fundamentally amoral."

Earlier, he recalled that three months ago in a speech to his constituency where there are a significant number of car industry workers, he had warned

that Government policies were fundamentally amoral."

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£150m. tourism profit last year

BY ARTHUR SANDLES

BRITISH TOURISM was in profit by nearly £150m. last year as an increasing number of European visitors made good a decline in the number of American tourists.

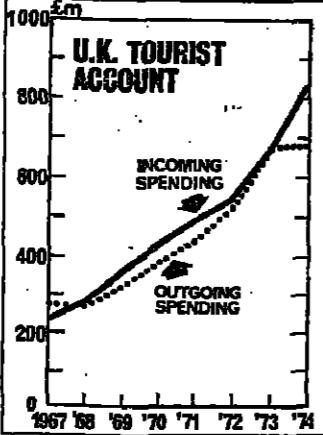
British spending abroad remained almost static, but overseas expenditure in the U.K. rose by 22 per cent to £534m.

Preliminary figures produced by the British Tourist Authority and the Department of Trade seem to show that domestic economic problems and the falling value of the pound is successfully depressing British spending abroad while encouraging foreigners to come to "cheap" Britain.

The travel industry hopes that any artificial Government intervention, such as introduction of travel allowances, will now be taken as unnecessary.

There were an estimated 7.8m. overseas visitors to the U.K. in 1974, some 3 per cent more than in 1973. These foreign visitors are thought to have spent £535m., to which has to be added fares paid to British air-lines and ferry boat operators.

At the same time, 10.5m. cent.



Student grants up 22% from October

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A 22 PER CENT. increase in undergraduate students' grants, which from October will add about £4m. to the public bill of £200m. a year, was announced by Mr. Reg Prentice, Secretary for Education and Science, in a Commons written reply yesterday.

The main rate of grant—for undergraduates living away while attending institutions outside London—will rise by 22 per cent from £605 to £740, as will the corresponding rate for London institutions from £665 to £810. The rate for students living at home will rise by only 20 per cent from £478 to £570.

The National Union of Students, which wanted the main rate increased to £850, described the announcement as "disappointing." It was "no compensation for 30 per cent inflation," said Mr. John Randall, retiring president of the N.U.S. "A rent freeze is now needed to protect students' living standards."

In the written reply to Mr. Bryan Davies (Lab., Enfield N.), Mr. Prentice also announced changes in the scale of contribu-

RACING

BY DOMINIC WIGAN

No Alimony for Predominate

A YEAR ago the Seven Barrows stable—whose Red Regent won easily at Nottingham yesterday while stable companion Taros was winning at Goodwood—produced English Prince to land Goodwood's competitive Predominate Stakes. Today the country's leading stable is represented in the race by No Alimony and I believe that he, too, will come out on top.

No Alimony, whose fine two-year-old campaign included a victory over seven furlongs on his third racecourse appearance, put himself firmly in the Derby picture on his return this season when outracing the opposition in Newmarket's Craven Stakes.

Sent into the lead fully five furlongs from home on the Rowley Mile course, he raced clear of his nine opponents approaching the distance to win by four lengths from Bolbonski, who went on to land the 2,000 Guineas.

In view of that emphatic victory, it was more than surprising

that he has much more to do here. Mr. Charles St. George's lightly raced colt is clearly on the upgrade.

Two other races which may well run to Peter Walwyn and Pat Eddery are the Tegleaze (2.0) and the Cucumber Stakes (2.30). In the Tegleaze (for unrated two-year-olds), Walwyn and Eddery rely on Anemos, who is reported to have been showing a good deal of speed. In the Cucumber Stakes they combine with the certain favourite, "something," say the officials, "we all want to know."

Acquire is sure to have derived considerable benefit from her recent run at Salisbury, where she came with a storming late run to get within a length of the winner, Roly's Rocket, after running green in the early stages. She is suggested with confidence.

At Ripon, where Willie Carson can pull one back on Eddery through Zosker in the Stonebridge Plate (4.45), Walwyn and Acquire display their best form by getting the better of Parsifal in the Althabogate Handicap and ran at least two stones behind his true ability. I take him to regain winning form, possibly at the main expense of Bruini.

This grey colt by Sea Hawk II

to see No Alimony put up such a lack-lustre display in the first race more of a few years ago—

coats classic. He was never a decisively defeated King's

factor at any stage and finished Honour at Salisbury on May 8 (2.15).

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Florence

Maggio musicale

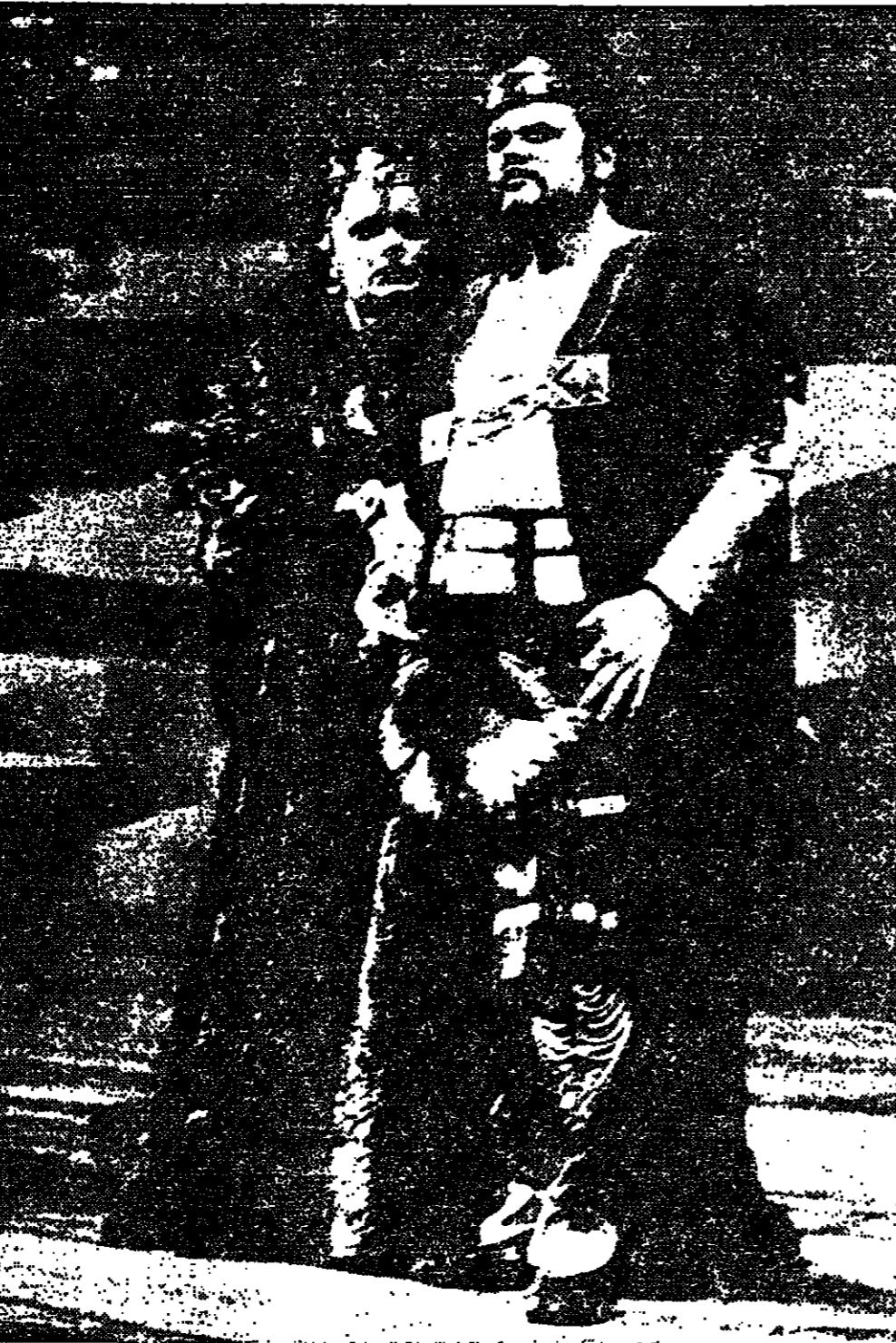
by William Weaver

The parlous situation of Italy's opera houses has already been reported in the international press. In Venice, the entire season was cancelled; in other cities, the number of performances has been cut, and the theatres that have, somehow, managed to put on operas have done so in every kind of difficulty. So there was a certain heroic quality about the opening of Florence's thirty-ninth Maggio musicale festival last week. Massimo Bogiawicki, who has been the Teatro Comunale's artistic director (though, for some reason, his title is "consultant"), only for a few months, was obliged to cobble up a programme virtually at the last minute. If the events scheduled for the next six weeks are not on a level with the memorable achievements of past Maggios, they remain attractive, interesting, and surprisingly coherent.

But we may not be allowed to see them all. Three days before the Maggio's opening, the management of the Comunale and the leaders of the various performing arts unions held a Press conference, to underline once more the impossible state of things at the theatre. Salaries have not been paid; promises have not been kept; the future is uncertain. The conductor Riccardo Muti, for some years closely associated with the Comunale—joined the orchestra and chorus that evening in a free "protest" concert (the Sievettavo, Seventh, Verdi's *Stabat*, *Te Deum*, and the refugees' chorus from *Macbeth*); the crammed theatre was the scene of "indescribable enthusiasm," as the Florence paper reported the event. One can only hope echoes of the enthusiasm—and the protest—reached Rome.

Muti was again on the podium to conduct the festival's first production: *Macbeth*. Though rehearsals had obviously been hampered by the Comunale's administrative problems, Muti's reading was precise, thought-out, and thrilling. The Florence orchestra, under his guidance, is always at its best; and for this dramatic occasion they were superb. The chorus, too, was both subtle and rousing; Muti's speed gave the witches a little trouble at the beginning, but the great finales came off splendidly, movingly.

The conductor's sensitive way with solo singers enabled a less than ideal cast to shine. Mario Tagliavini was a lyrical rather than heroic Macduff. Al Banquo, the young Norwegian has Age Haugland made a promising impression, also because of his accurate enunciation. The smaller parts were well-acted, and at climaxes (cf. "E squillo intelligente" before Duncan's scene, however, the producer some weeks ago, this *Macbeth* allow the Maggio to die.



Mario Petri and Gwyneth Jones in 'Macbeth'

(murder) Petri could summon the should have indicated more was to have been performed in required power. He also acted clearly which of Lady Macbeth's the original 1847 version words were intended for her (written for La Pergola in with royal authority. Gwyneth Jones sang generously, husband alone and which for the (Florence); an arresting idea even recklessly at times. Her whole company. And Enriquez since that score remains unheard top notes were not beautiful or was hampered, too, by Bruno in this century. Instead, we always true, and she squirmed in Garofalo's sets. They were not given the more familiar ensembles. Still, there were bad-looking, except for the and admittedly superior—1865 admirable moments; she was furniture at the banquet, version. But Muti did insert in the part deeply, though she is ill-suited to it, in her present and made the chorus' entrances scene "Mal per me," which Verdi vocal state. The tenor Franco Tagliavini was a lyrical rather than heroic Macduff. Al Banquo, the young Norwegian has Age Haugland made a promising impression, also because of his accurate enunciation. The smaller parts were well-acted. To some extent, Franco Enriquez's staging was the victim of under-rehearsal; and no doubt several miscalculations (especially in the lighting) will be put right for later performances. For the most part, chorus and principals were moved sparingly and at climaxes (cf. "E squillo intelligente" before Duncan's scene, however, the producer some weeks ago, this *Macbeth* allow the Maggio to die.

Covent Garden

King Priam

by MAX LOPPERT

I came new to the Royal Opera staging of Michael Tippett's second opera. New; expectant with memories of broadcasts and pictured impressions of the famed Sean Kenny sets to add to preparatory score-readings; and just a little apprehensive, when a canvas of earlier opinions had thrown up the words "problem" and even "failure" as often as those of admiration for the opera's form, frame and effect. So if the immense enthusiasm I felt during and after Monday's revival, grandly performed and played in the main point fully staged helps to kindle or refuel the same elsewhere in the house was only tolerably well-filled to honour the 70 year old composer, I shall be happy indeed. That 13 years on, *King Priam* has still the feel of an exciting experiment, a fresh investigation, a problem being solved opera, with stones newly added

St. John's, Smith Square/Radio 3

Early Music Consort

David Munrow and his merry band, the Early Music Consort, gave Monday's BBC lunchtime concert at Smith Square. These two fancy styles were separated by a group including a dotted version of their familiar "Music of the Royal Courts of Europe" programme, and very merry too. Munrow, the best broadcaster of his generation, introduced the programme himself, thus depriving Patricia Hughes's fans.

Era a small pot of Munrow's Renaissance pickings makes an excellent radio programme: his pleasing, discreetly humorous introductions: the cleverly chosen variety of songs and instrumental pieces, mostly trotsome but occasionally forlorn or soothsaying; and the glee and zest of the EMC's best performances. I listened to the live relay, but wished I had gone to the hall. It's even more entertaining to see the Consort in action, and observe which instruments are playing—raschapele or dulcian, cornemuse or shawm—and generally inbale the special character and charm, which has made the EMC the leading exponent of early material.

Monday's pieces were all familiar—thanks to the EMC's previous programmes. A madrigal by Verdelot, and an instrumental piece by Galileo's father, back, cohorts of performers in grasshopper.

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JULY, 1975

Saigon cash crisis adds to law and order problem

A CASH crisis has hit Saigon patrols were stepped up to enforce the orders. Some soldiers had been seen selling what was thought might have been army surplus to privately-owned local banks to enable civilians in order to buy money to buy goods and merchants were ordered not to sell to them.

None of the foreign-owned businesses has received aid, however, and with the continued closure of the banks, finding the cash to pay employees has become a problem.

People can be seen gathering at Saigon's footpath markets to sell their possessions—especially radios—to raise a few piastres.

Most hurt by the present pinch are former soldiers of the defunct army of the Republic of Vietnam (ARVN). Jobless, they wander the city, sometimes turning to crime.

Soldiers who have no jobs once received 8,000 to 10,000 piastres a month and had many opportunities for corrupt activities to boost their incomes.

Today, they constitute potential trouble for law and order.

Liberation Army soldiers present a different law and order problem, and after some days of laxity, the authorities have moved. Meanwhile, the railway line between the northern cities of Hue and Da Nang in South Vietnam has been repaired fully, according to Radio Saigon monitored in Singapore. Police Reuter

SAIGON, May 20.

Stewart Dalby adds: Rumours are now sweeping Saigon of many executions in the streets of thieves and looters caught red-handed. While there has been no official confirmation, or indeed any indication that a policy of instant killing of criminals has been instituted by the Military Management Committee, details of several well-substantiated incidents have reached various members of the Press corps.

One man caught stealing was shot by a new police team and his body left out in the blazing sun for three days. A handwritten notice attached to it said: "This man has been shot for stealing."

In another event, several

Liberation Forces soldiers were

driving in Cholon, a Chinese

quarter of the South Vietnamese

city, when some men trying to

steal a motor cycle. They immediately fired at him with their AK 47 rifles and left

his body in the street. Looting

and stealing has been a serious

problem in Saigon since the

takeover of the city by the Com-

munist on April 30. The old

Saigon regime's police force was

disbanded and the occupying

troops did not carry out police

functions. Recently, the mili-

tary Management Committee,

which is continuing to administer the city, has set up small patrols of Saigonese young people, both

to direct traffic and to enforce

law and order. Often they are

young girls with no uniforms

and only red armbands to

identify them as police.

Most foreign correspondents

now have been given exit visas.

The exceptions are Americans,

who were told that their re-

quests were still being con-

sidered.

Vice-Premier Teng Hsiao-ping's

successful visit to France in

March has been seen as a

sign of improved relations be-

tween the two countries.

The implication seems to be

that the important element in

Chinese foreign policy of friend-

ship with non-revolutionary

Governments both among the

industrialised countries and the

united Europe did not figure in

the Chinese reaction.

CHINA AND EUROPE

A honeymoon to come

BY COLIN McDougall

THE MAYAGUEZ affair has since it enabled the Chinese to building up its European policy to a minimum to spell out loud and clear their belief in a united Europe and their fear of that but it is still unlikely, despite harsh words from Peking about other superpower in Moscow. Belgian Premier Helmut Schmidt of West Germany and President Giscard d'Estaing are due to go. Since the corollary of these two Chinese policies is the rapprochement with the U.S., it would be more towards Africa and Mans, and his party.

The implication seems to be that the important element in revolutionary movements. Euro-

pean countries did not at that Chinese foreign policy of friend-

ship with non-revolutionary point seem to have much to offer

Governments both among the Peking beyond trade, and a

fact underlined this when he was asked about the Chinese reaction

in a hard line. But while the U.S. may cool some- Chinese thinking. Only France

Europe, and Europe, after Vice-Premier Teng Hsiao-ping's

success, is to stand up against the Soviet

Union, it was arranged that regular informal discussions on

foreign policy should be held in

future. When Britain will reach

this level of exchange with Pek-

ing is far from clear; the Chinese are marking time at any

rate until the referendum is over.

NOW that Europe has shed most of its colonial ties, there are very few

areas of conflict . . . the Chinese have begun to shed their insularity

Since then a stream of Peking's people leaders has visited Peking and several more, including Chancellor Helmut Schmidt of West Germany and President Giscard d'Estaing, are due to go. Most important, perhaps, the Chinese have begun to shed their insularity and a senior leader, Vice-Premier Teng, has now re- ciprocated the late President Pompidou's 1973 trip to Peking. Teng's visit appears to have been a success. Whether the French made it clear that they do not go along with the Chinese view that the main role of the EEC is to stand up against the Soviet Union, it was arranged that regular informal discussions on foreign policy should be held in future. When Britain will reach this level of exchange with Pek- ing is far from clear; the Chinese are marking time at any rate until the referendum is over.

NOW that Europe has shed most of its colonial ties, there are very few areas of conflict . . . the Chinese have begun to shed their insularity

Cambodian gunboat 'defects' to Thailand

BANGKOK, May 20.

A CAMBODIAN gunboat involved in last week's capture of the U.S. cargo ship Mayaguez was said to day to have defected to Thailand after throwing overboard a Khmer Rouge soldier.

Official spokesman in Bangkok

declined to discuss what the

response would be to any Cambodian demand for a return of

the gunboat. Already the Bangkok Government has

disputed its hands with the new

Saigon regime, which has said

Thailand's refusal to hand over

the defecting warplanes is holding up the establishment of

diplomatic relations.

The Thai Navy spokesman said

the crew were disarmed and held

in detention. He declined to say

more. But informed sources said

the crew had told the authorities

their vessel, a 170-foot craft with a 75 mm gun mounted forward, had taken

off in the vicinity of Koh Tang island.

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in detention. He declined to say

more. But informed sources said

the crew had told the authorities

their vessel, a 170-foot craft with a 75 mm gun mounted forward, had taken

off in the vicinity of Koh Tang island.

The gunboat's arrival was a

major headache for the Thai

Government, already embarrassed

by the affair of warplanes

flown here by escaping South

Vietnamese pilots after the fall

of Saigon and demanded back by

the new Government there. The

sources said. Thai authorities

reuter

Vorster angry at report of summit meeting 'bid'

CAPE TOWN, May 20.

PRIME Minister John Vorster provided Mr. Vorster with a report that South Africa sought to arrange an summit conference in Southern Africa "calculated to sow suspicion and disturb relations." But he did not specifically deny the report, saying: "We regard it as beneath our dignity to make any comment or to point out the obvious inaccuracies which abound in the report."

The Prime Minister issued a statement reacting to the story, in The Times of London. This quoted Mr. Vorster as saying: "We regard it as beneath our dignity to make any comment or to point out the obvious inaccuracies which abound in the report."

Mr. Vorster's statement said: "To us it is strange and unfeeling that so-called confidential information said to have been given by the deceased Minister of Finance of Liberia to a newspaperman should be published after his death when he could not reach, and in such a way that can only be calculated to sow suspicion and disturb relations between South Africa, Rhodesia and other countries which are engaged in a serious effort to find a peaceful solution to delicate problems."

Mr. Stephan Tober, died in an

air crash last month.

President Vorster was reported to have said he would do whatever he could to arrange a meeting between Mr. Vorster and President Kenyatta of Kenya; President Mobutu of Zaire and General Gowon of Nigeria as a prelude to a summit with them and President Tito of Yugoslavia.

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AFM still facing dilemma in relations with parties

BY JANE BERGEROL

THE ARMED Forces Movement option officers who oppose the offences against the Socialist (AFM) General Assembly has squeezing out of the political newspaper, *República*, which took the form of occupation of the newspaper by Communist workers, printing of a pirate edition yesterday and subsequent occupation by Copon military security, has succeeded in silencing the only Socialist Party newspaper indefinitely.

The assembly analysed what it calls "the counter-revolutionary risk" of elections. This follows a recent Communist Party analysis coming out against both municipal council and general legislative elections until the entire country is "free to make up its mind" without pressure of the kind it claims was present in the North and produced the moderate April 25 result.

Yesterday's apparent stalemate is being seen as something of a victory for the "soft" Communist-inspired

LISBON, May 20.

Widespread fears as Baader-Meinhof trial opens

BY JONATHAN CARR

THE BAADER-MEINHOF trial of alleged terrorists begins to-morrow under conditions of the utmost security and amid widespread fears that the start might be the signal for new anarchist action somewhere in West Germany.

The lengthy preparations for the trial and the book of charges amounting to more than 350 pages are spectacular in themselves. But there are also political and social overtones which go well beyond those accompanying even major criminal proceedings.

Facing a court in Stuttgart, a suburb of Stuttgart, are the pair which gave the group its name—Herr Andreas Baader, aged 32, and Frau Ulrike Meinhof, aged 40—along with two other alleged

ring-leaders, Frau Gudrun Ensslin and Herr Jan-Carl Raspe.

The four, all arrested in June 1972, are accused among other things of involvement in five murders, of a series of attempted murders as well as a series of bomb attacks, bank robberies and acts of arson.

Their apparent aim as revealed in their comments and writings has been the overthrow of what they see as the fundamentally corrupt system in the Federal Republic through urban guerrilla warfare. They also see West German justice as corrupt. Thus it is not clear to what extent they will agree to answer questions or volunteer information during their trial,

which it is thought could last for more than a year.

The trial is taking place in a fortress-like building of which it is said that even a bird would find difficult to approach without special authorisation. There seems to be something in this Stuttgart-Stammheim which has been made secure even against bomb attack from the air—at a cost of about DM12m.

All those entering undergo the most stringent search. And the accused will face the court from behind screens of bullet-proof glass. Few people imagine that even the most determined terrorist band could make any impact if it sought to force entry. There is then considerable nervousness that suspected terrorists in one of the

groups believed connected with the accused might stage some spectacular action elsewhere. These fears have become all the stronger in the wake both of the West Berlin political kidnapping in February and the Stockholm Embassy drama last month. Accordingly security has been increased on likely targets.

Beyond these immediate fears there are other, perhaps more important, concerns involving the right to a fair trial and a full defence. The Baader-Meinhof affair has already had so much publicity and the accused have been referred to, so often as though long since proved guilty, that it requires some mental effort to recall that the trial has not yet begun.

BONN, May 20.

German aid pledge

BY JONATHAN CARR

WEST GERMANY has assured Schmidt and Foreign Minister Genscher that it will do all it can to help safeguard the development of democracy there, already promised, Herr Genscher pledging economic aid and told his Portuguese guest that efforts to strengthen ties between Bonn will use its influence with Lisbon and the EEC. At the in the EEC on behalf of a better same time, Lisbon has renewed trade deal between Lisbon and its assurances that it will not the Community. It is hoped that renege on its Nato commitments, this may be arranged through a

This emerged from the two-day special conference between the visit here of the Portuguese EEC and Portugal to be held Foreign Minister, Senor Ernesto soon and for which Lisbon will Augusto Melo Antunes, who had soon publish a position paper talks with Chancellor Helmut setting out its requirements.

U.S. company 'seized'

NEW YORK, May 20

OTIS Elevator Company said its and duties and coerced the 300 Portuguese subsidiary, Otis employees to refuse to carry out workers' committee with the tions.

Otis said in statement the cannot be responsible for the workers' committee over the last weeks asserted more and more Elevadores and that it would control over the management, hold the Government responsible seized the premises, barred the for any losses.

Dr. Cunhal called on workers not to strike, as "any further lowering of production will only be paid for by the workers themselves. We must tell two home truths. If unrealistic wage demands and productivity decreases continue to be made we will be travelling towards economic catastrophe and through economic catastrophe towards political catastrophe."

UPI adds: Hundreds of Socialists gathered outside the offices of Republica to protest against its suspension. The demonstrators chanted: "Kill the Communists."

Shah hopeful of restart to oil talks

BY GILES MERRITT

IN A MOVE to re-start the oil that has taken him to Venezuela, producer-consumer talks that Mexico and the U.S.—was expected to result in fresh attempts by President d'Estaing to re-start that he expected the conference to resume before Sept. 1.

Speaking as he left the Elysee Palace after a lengthy private luncheon with President Giscard d'Estaing, the Shah commented: "I hope such a conference can take place before the end of the summer. Of course, he added, "some preliminary consultations will have to take place as soon as possible."

The Shah went on to say that he believed progress had already been made at a number of private consultations following the failure of the 10-member preparatory conference in mid-April. He stated: "The producer-consumer conference can be held before September if everything goes well."

Although the Shah's brief visit to France—at the end of a tour of the OECD Ministerial Council

Demirel speech angers Greeks

BY OUR OWN CORRESPONDENT

ATHENS, May 20.

THE GREEK Government has sought explanations from Ankara of an interview in which Premier Suleyman Demirel was quoted as saying that Greece has no choice but to accept the de facto situation in Cyprus and there could be no political negotiations.

An official announcement said the Greek ambassador in Ankara to-day made a demarche to this effect to Turkish Foreign Minister Ilhan Caglayan.

Although the announcement did not elaborate further, sources close to the Government said Mr. Caglayan had accepted that publication of the interview, given to a French newspaper three weeks ago, was ill-timed and stressed to the Greek ambassador that it did not clearly convey Mr. Demirel's thoughts.

The sources said that if Mr. Demirel's statements were accurately reported, this showed Turkish policy was dangerously intransigent and clashed with efforts by Ankara to appear as seeking a top-level dialogue with Athens.

The sources said that unless more explanations were forthcoming, the statements cast doubt on whether the meeting between the Prime Ministers of the two countries, which had been scheduled to take place on the fringes of the Nato summit in Brussels next week, was indeed feasible.

The Greek Press to-day strongly condemned Mr. Demirel's statements, describing them as highly provocative.

Commenting on the three days of talks in Rome between the Greek and Turkish Foreign Ministers, which ended yesterday, the Greek Press stressed that no substantial decisions were reached.

The consensus of opinion was that Turkey showed no real desire for negotiations.

The Cyprus issue and Greece's desire to develop association into full membership of the EEC will be among subjects to be discussed between Mr. Demetrios Botsis, the Greek Foreign Minister, and Mr. Roy Hattersley, Minister of State in the British Foreign Office, who arrived here to-day.

Our *Nicosia* correspondent writes: President Makarios said to-day any final decision by the U.S. Congress to resume military aid to Turkey would render Ankara's stand on the Cyprus issue "more irrational, blackmailing and unyielding."

The Archbishop, who was commenting on the Senate's narrow vote yesterday to lift the arms embargo against Turkey, said he did not share the view that resumption of military aid would soften Turkey's "intransigence."

BL to keep sales presence in Spain

BY ROGER MATTHEWS

MADRID, May 20.

BRITISH LEYLAND plans to maintain a presence in Spain to be over the engine plant at Corralejo de Bustia where some 2,000 men are employed. Although Seat may be willing to purchase the assembly plant at Mr. Albert Lawrence, who is to-morrow due to be named director of Leyland's European operations.

Leyland, via its 98.5 per cent owned subsidiary Autia, produced its last locally built Mini.

Autia executives said to-day that the company would continue, despite the fact that its manufacturing facilities in the country have now ceased production. Although Seat may be willing to purchase the assembly plant at Mr. Albert Lawrence, who is to-morrow due to be named director of Leyland's European operations.

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Leyland is still topping up the unemployment benefit for its workers provided by the Government. Leyland, however, wishes to have an effect on President Ford's plans, an Embassy spokesman said.

It was signed by the "Junta Democrática" which encompasses the Spanish Communist Party, the Partido de Trabajo, and a number of other smaller groups and prominent individuals.

It's principal platform is to work with any other parties pledged to the establishment of democracy in Spain.

The Junta stressed that the President's visit would tend to support the continuation of the dictatorship and might prejudice the development of future good relationships between the two nations.

The visit also coincided with the moment of greatest political repression for many years.

Political group wants U.S. President to cancel visit

BY OUR OWN CORRESPONDENT

MADRID, May 20.

SPAIN'S LARGEST illegal and the state of emergency in the Basque country.

The arrival of the President would presuppose approval for the acts of oppression going on here at the moment," the letter added.

In a reference to the renegotiation of the current bases agreement which is expected to be the main topic of President Ford's visit, the letter argued that any deal should be approved by both peoples, American and Spanish.

Asked if the letter was likely to have any effect on President Ford's plans, an Embassy spokesman replied: "You must be kidding."

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Job in its

JPI, in 1975

Kissinger and Gromyko to meet again soon

BY PAUL LENDVAY

VIENNA, May 20.

U.S. SECRETARY of State Henry Kissinger and Soviet Foreign Minister Andrei Gromyko said in a communiqué jointly to be signed at the two-day Vienna talks that they were "unanimous in emphasising their determination to continue to adhere firmly to the course of further improving and developing U.S.-Soviet relations in the interests of the people of both countries and of strengthening peace."

Outstanding issues

Dr. Kissinger told the Press on leaving the Soviet Embassy that he and Mr. Gromyko would meet again soon to discuss outstanding issues, especially on the Middle East and the Strategic Arms Limitation Talks (SALT).

Mr. Gromyko agreed that the talks were "useful and necessary." He added: "We discussed some problems, all of them important."

Dr. Kissinger revealed at the airport that the meeting would take place after the Ford-Sadat meeting scheduled to be held in Salzburg on June 1 and 2 but before the next session of the Geneva conference on the Middle East. It is understood that the Gromyko-Kissinger meeting will be held in the first half of July but it is not yet known where. The communiqué did not refer to a forthcoming meeting.

The communiqué said that an exchange of views took place on bilateral relations, including questions connected with the further limitation of strategic offensive arms. It added that the progress of the Conference will go on utmost to keep them on Security and Co-operation in course."

Soviet 'interests' off Norway

BY FAY GJESTER

OSLO, May 20.

RUSSIA'S naval build-up in the North, and its "vital interest" in retaining the right of free passage between Norway and Spitzbergen, will affect Norway's resources policy in its northern waters, Norwegian Prime Minister Trygve Bratteli said here today.

Extensive economic activities in these areas could be regarded by Russia as a threat to its strategic interests, he told an audience at the Defense College in Oslo.

Because of this, the Government believed that future exploitation of resources in these waters, and on Spitzbergen, must "be under Norwegian sovereignty," with Norway responsible for regulation, inspection and surveillance of oil drilling, fisheries and other economic activities.

European 'rehearsal' for key series of meetings

BY MALCOLM RUTHERFORD

FOREIGN MINISTERS of the members of Western European Union (WEU) met in London yesterday for what amounted to a small scale rehearsal for the series of Ministerial meetings of key Western organisations which will take place over the next few days.

The Nato Defence Ministers are due to meet in Brussels on Thursday and Friday. Next Tuesday the Foreign Ministers of the members of the International Energy Agency will meet in Paris. On Wednesday, most of the same Ministers will be attending the Ministerial session of the OECD, also in Paris. The venue then switches to Brussels for the Nato Ministerial Council which is taking place at summit level next Thursday and Friday.

Mr. James Callaghan, the British Foreign Secretary, who chaired the WEU meeting, said afterwards that Ministers had had preliminary talks about some of the subjects which will be on the agenda of the other organisation.

These include the progress of the European Security Conference (CSC) in Geneva where the Russians would like to culminate in a summit conference

Italian strike hits schools, travel and medical care

ROME, May 20.

MORE THAN a million government workers went on strike today in a week of nationwide strikes by individual unions. The airport, closed almost daily since last month by a series of half or full-day strikes by individual unions, was hit again to-morrow by a strike of Italian pilots over contract terms.

The strikes came less than a month before the June 15 regional elections in which the Communists are challenging the Christian Democrats' claim to be Italy's dominant party.

Only Justice Ministry employees preparing election lists were excused from the walkout called by Italy's three biggest labour federations to demand reforms of public administration.

More than 300,000 state workers, 200,000 employees of state controlled companies and 500,000 local and regional government employees walked off their jobs in the daylight strike.

The unions called for reforms to eliminate the waste and inefficiency existing to-day and at the same time exploit and make more gratifying the individual and collective professional contribution of the workers."

Firemen, who joined the strike from 8 a.m. to 2.30 p.m., forced the closing of airports. Scheduled national flights from Rome's Leonardo Da Vinci airport were cancelled and intercontinental flights delayed.

BELGIAN INDUSTRIAL COSTS

The trouble with indexing

BY DAVID CURRY IN BRUSSELS

"WE APPEAR," La Libre Belge commented acidly, "to have two Foreign Ministers." The official one, Mr. Renato van Elslande, seemed perfectly capable of playing the international role his office conferred on him. It was about time the unofficial one concentrated on solving problems at home.

The "unofficial Foreign Minister" this paper hardly needed to point out, was Mr. Leo Tindemans, the Premier. At last year's Paris summit meeting of the Community of Government, Mr. Tindemans was entrusted with the task of drawing up a blueprint for the European Union. That task, apart from trips he has undertaken as a Belgian official (the latest to China) has kept him on the move around the capitals of Europe.

The comment was a bit unfair, but the concern was real enough, since the economic problems confronting Belgium are severe.

Though these troubles are diverse, there is one overriding worry, the acceleration of wage costs.

Belgium is the world's largest per capita exporter: about half the jobs in manufacturing industry depend directly on exports. Some 70 per cent of exports are sold in the Common Market. The Government estimates that Belgian wage costs are now on a par with those in the U.S. The Fédération des Entreprises de Belgique, the employers' organisation, calcu-

lates that in the past two calendar years wage costs have risen by 40 per cent. This does not seem disproportionately large in comparison with other countries with similar inflation problems.

But the rub comes when the Belgian rate of increase is taken in conjunction with the appreciation of the Belgian franc against most other currencies. If the rate of increase in wage costs in competing countries is adjusted to take account of the exchange rate, the comparison is much more unfavourable to Belgium. Adjusted in this manner the rise of Belgian wages compares with 34 per cent in France in the same period, 40 per cent in Germany, 26 per cent in Sweden, and 16 per cent in Britain.

The unions argue that the most urgent problem is unemployment which is currently running at 160,000 or 8.2 per cent of the work-force. They also point to the acceleration of the cost of living to justify the need to leave the indexing system as it stands. In April the annual rate of inflation was still in the region of 15 per cent per annum.

The problem which wage costs pose for the Government is made more intractable because of indexing. It is generally acknowledged that fully two-thirds of the 16 per cent rise of wage costs last year was attributable to the automatic monthly indexing of wages to the cost of living. Indexation has been practised in Belgium since shortly after the war. It is, as far as the unions are concerned, one of the fundamental articles of the social contract at the centre of Belgian politics. The employers have demanded an end to this automatic indexation in favour of a system which limits itself to preserving purchasing

power rather than reflecting every single nuance of price changes.

Just as in the month-long series of elections of workers' delegates to company Boards and advisory bodies, the unions are reluctant to budge, but the FGTB, a relatively hard line Socialist trade union group, has agreed at least to discuss the matter.

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Belgian Government consists essentially of working out a system of compromises between pressure groups representing different economic interests. The Government itself also has a coalition bridging differences of political viewpoint and usually language—is in many ways primarily an arbitration service

more of the unemployed to work these pressure groups which on public projects.

In addition, the Government committed itself to a greater role in the industry, labour, and small business.

The process started in March of April the Government took

when the Government announced steps to reflate. It swept away

plans to lessen the impact of un-

employment. It proposed to restrain. The 16 per cent limit

increase public investment to in the increase of commercial

save some 20,000 jobs, and put bank credits was abolished. The

requirement that banks should increase 10 per cent of their deposits to purchasing public bonds was dropped. The compulsory freezing of certain funds in non-interest bearing accounts was also abolished.

Since then there has been a steady flow of measures along the lines advocated by the employers.

On May Day, while the unions were at their rallies, the Government announced a surprise package: a two-month price freeze, described by Mr. Tindemans as a psychological shock to enable people to stand to think. The freeze is very partial. Exceptions cover oil, household electronics, non-ferrous metals, wind, coal and steel, and important trade like cars, food, etc.

Even with these exceptions, the Government will have difficulty policing the freeze. It has only 180 inspectors to cover every outlet in the country. The recent measures have come in a rush and it is difficult to discern behind them the outlines of a consistent policy. However, the most convincing interpretation is that the policy is part of a cautious approach to revising the system of indexing, even if the index itself will not be altered despite the fact that its weighing has not been touched since 1967 and though it contains only 145 items against 900 in the German index or 880 in the Dutch.

The Belgian Government is not in a position to announce dramatic emergency packages of remedial measures in an economic crisis. It can more easily only when it has found an alliance of interests which permit it to piece together a consensus. As dubs and drabs of news about the recent measures filter out from the Government, it is clear that this process is now under way intensively. Travel has not been touched since 1967 and though it contains only 145 items against 900 in the German index or 880 in the Dutch.



Premier Leo Tindemans: Travel has not blunted his awareness of political realities at home.



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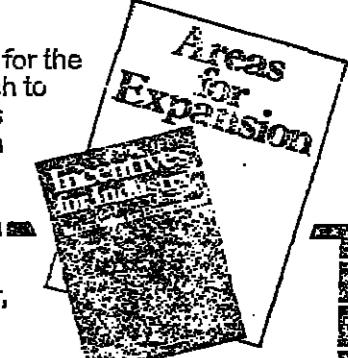
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THE AREAS FOR EXPANSION

HOME NEWS

New house prices up by average 3% in first quarter

BY MICHAEL CASSELL

NEW HOUSE prices rose on future, although it is apparent completed rather than approved average by 3 per cent. in the that there will be a further move first quarter of this year, in prices after the standstill which persisted throughout 1974, according to the Department of the Environment.

While the increase is bigger than any quarterly rise recorded during 1974, there are few indications that the housing market is set for another period of substantial price rises in the near future.

The rise should, however, be of some encouragement to builders who have faced sharply rising construction costs but have not been able to pass these on in price increases.

If the trend continues, they should be less reluctant to start new schemes, especially if the flow of building society funds is maintained.

The building societies themselves, as well as bodies like the Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers, have all recently subscribed to the view that another price explosion seems most improbable in the foreseeable

Demand

The societies have pointed out that demand for homes is still slack in relation to supply and that houses are still historically expensive in relation to income. The income/house price ratio is, however, narrowing rapidly and this could lead to substantial price increases when the ratio is in balance.

According to the Department, which bases its figures on prices for new housing at the mortgage approval stage, the house price index took a 3 per cent. leap in the first quarter of this year, following a rise of 0.5 per cent. in the preceding three months.

By comparison, prices last year rose by a maximum of 2.5 per cent. in any one quarter last year and actually fell back in one-month period.

The Department also gave the results of a 5 per cent. sample survey of mortgages actually

for the first time buyers paid just over £9,000.

Wool textile industry sees little hope of upturn this year

BY RHYD DAVID

THE U.K. wool textile industry much higher levels of activity is not expecting any substantial throughout the processing chain. upturn from present depressed levels of activity much before demand for wool tops has returned to better trading conditions. The end of this year, industry been a return to much more active trading in the main wool markets in Australia and the U.K. industry's competitive position of continued

Figures showed the industry Australian Wool Corporation was trading in the first three months of this year at levels slightly higher than earlier this year, was marginally below the same wool offered at a floor price of 25 cents. has recently had to was badly affected by the three-day week and substantially below the levels for the same period of however, about the attitude the

More Home News

Page 30

BRADFORD, May 20.

Mr. Stroud criticised the Government's apparent inaction on textile imports, cabinet being considered by Cabinet sub-committee under Mr. Harold Lever, Chancellor of the Duchy of Lancaster. Mr. Stroud said the Government had accepted the validity of the industry's case but was hiding behind excuses rather than take action.

The industry remains seriously concerned at the continued weakness of the Japanese market, the main market for U.K. wool textiles in 1973, but seriously depressed both in 1974 and in the early part of this year.

Exports of woolens in the period January to March this year stood at only 748,000 sq. m. compared with 1.3m. sq. m. in 1974 and exports of worsted declined from 1.3m. sq. m. to 815,000 sq. m. in 1974.

There remains uncertainty as to the future position of continued

Mr. Stroud's comments were made when the three-day week was beginning to affect the industry's competitiveness.

Despite the signs of increased interest at the coming stage, the chairman of the wool-textile dealers' association, Mr. Roy Stroud, sounded a note of caution at the industry's annual Press luncheon.

The demand for wool tops (combed wools) is coming, however, from overseas manufacturers rather than from U.K. spinners and is thought to be a note of caution at the industry's annual Press luncheon.

The demand for worsted manufacturers were not

Labour retains city by casting vote

BY OUR OWN CORRESPONDENT

LABOUR RETAINED its overall seats, the vote for the new Lord Mayor was a tie until Clr. James Eames, retiring Labour Lord Mayor, used his casting vote in favour of Clr. Jackson.

A Conservative Lord Mayor, Clr. Harold Powell, had been agreed unanimously for the coming year. But when the election results were known and Labour's majority dropped to nil, Conservative leader, Councillor Neville Bosworth, accused Councillor Wilkinson of arrogance. Birmingham had elected its mayors for the last 150 years by a unanimous agreement.

Yesterday, with Labour's 63 seats only enabling the combined Conservative and Liberal politics at its worst.

Multiple sclerosis costs economy £3m. a year

BY DR. DAVID CARRICK

MULTIPLE SCLEROSIS cost the British economy about £3m. in progressive, disabling disease, 1973, according to an Office of Health Economics report.

Two-thirds of the figure was attributable to incomes lost by sufferers from the disease forced to give up their jobs, for the disease afflicts young people almost exclusively. It is more common in women than in men, and about 50,000 Britons are affected to some degree.

The incidence of multiple sclerosis in Britain is more than twice the estimated world average, according to the report. It is particularly prevalent in the Orkneys, bearing out the observation that the disease is more common in the temperate zones, particularly in more northern latitudes.

Research as to causal factors favours a viral origin—possibly the measles virus—or an immunological reaction to unknown factors. But many abandoned theories, ranging from cosmic radiation to the consumption of sheep's brains, indicate the complexity of the problem, which continues to defy research workers.

The report sounds a note of optimism. It first emphasises that this disease of the central nervous system, disseminated in the North via Bristol.

EXTRA TRAINS FOR HOLIDAY

Western Region of British Rail is running 74 extra main line trains from Thursday until Tuesday.

They will augment Inter-City services on principal routes from London Paddington to Bristol, South Wales and the West of England, together with the cross-country route linking the West Country with the Midlands and the North via Bristol.

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INTERNATIONAL SOUTH AFRICAN N.V.

DIVIDEND NOTICE

The Company has declared a Dividend of U.S.\$0.50 a share on its common stock payable on 12 May 1975 to stockholders of record 1 May 1975.

Stockholders will receive payment in U.S. Dollars at the addresses listed in the official stockholder list held by the Company.

REPAIR DEPOT

Dat-Sun U.K. is to spend £250,000 on building a body repair shop near its distribution centre on Teesside. The depot will employ about 20 people, and will be used to repair cars damaged in transit from Japan.

MARKET PLAN

A new Glasgow fish market is expected to be in operation in the autumn next year to replace the market near Glasgow Cross which has been used for more than a century.

● NEWS ANALYSIS—STEEL

Looking for a loser

BY HAROLD BOLTER

FEW INDUSTRIAL negotiations end in an honourable draw. Normally, both sides have to claim some sort of victory, win or lose.

Unfortunately, the discussions which have been taking place for the last month on the British Steel Corporation's need to save costs—most obviously through a reduction of 22,000 in its labour force—have involved three parties: the BSC management, the trade unions and the Government.

In this new situation, the rules of the game become blurred. Because there is a requirement for too many winners, a loser has to be found and it seems to have been generally decided that Sir Monty Finniston, the British Steel Corporation's chairman should fill this role.

Obvious

An examination of the events which led up to Monday night's agreement between the BSC management and the steel industry unions on ways of tackling the problem of cutting costs during an extremely serious recession would suggest that this judgment is unfair, however.

The steel redundancy saga really began at the start of October last year when Sir Monty forecast that the market for steel in the U.K. would fall by at least 15 per cent. during 1978.

He was the only leader of a major steel-producing nation to make such a gloomy prediction at the annual conference of the International Iron and Steel Institute in Munich.

By the end of January this year, however, it was obvious that even Sir Monty was likely

to be proved far too optimistic. The end-of-year statistics produced by the international steel producers showed that orders were sufficiently encouraged by the Government's review to believe they could fight the final quarter of last year.

Finally, any plans the BSC had for reducing its labour force in Scotland, where there are some very old works with obsolete equipment, were mothballed, presumably until after the Common Market referendum.

It is easy to see therefore, that Lord Beswick's report, although it was meant to deal with longer-term planning, had an effect of the short-term situation facing the BSC management when it found itself deep into a steel demand recession.

In mid-March, the month following the Beswick report, the BSC's management agreed to talk to the steel industry unions about the need for cost savings, including the need to reduce overtime, the number of shifts worked in some plants, the suspension of the industry's guaranteed week arrangement and some redundancies.

At the beginning of April, the unions were told that the BSC was losing £2.5m. a week and that its trading position was getting worse. But they still refused to agree to the suspension of the guaranteed week or any form of redundancy.

Then, on April 22, Sir Monty held a dinner for industrial correspondents at which he stated that there would have to be "very substantial" redundancies.

Meanwhile, Mr. Bob Scholay, the BSC's Chief Executive, has negotiated a deal with the Mr. Wedgwood Benn, not only over management will be pleased to public debate with Mr. Wedgwood Benn, not only over management will be pleased to the particular issue of redundancies but the general philosophy of how a nationalised industry should be managed.

He did not put a figure on the number of dismissals needed, but it was made known that 10 steel industry unions which were involved.

As the final discussions were

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reduction in overtime working, loser.

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Government to study N. Sea gas trunk line

SDLP protests about draft rules for Ulster Convention

BY OUR OWN CORRESPONDENT

THE DEPARTMENT OF ENERGY is to commission a study into the development of associated gas in oil fields, including the possibility of constructing a North Sea gas trunk line system to gather production from smaller associated gas reservoirs.

The move, announced by Mr. Eric Varley, Energy Secretary, is an attempt to fears that small amounts of gas produced with oil, not justifying their own pipeline to shore, could be wasted unless such a facility were built.

Relatively optimistic estimates have been made of the gas that may be discovered in oilfields, but only the Brent Field, northeast of Shetland, has proved to have enough gas to justify a distribution system to the mainland.

Other fields, such as Beryl, have reported reasonable amounts of gas associated with oil, but they have not proved justification of a pipeline investment.

The Government's study will thus presumably be directed to evaluating just how much gas is there and whether, added together, it would warrant a trunk line.

It is likely, however, to raise special sensitivities in the exploration industry, particularly with Shell which is extremely nervous at the prospects of being forced to invest in an untried pipeline, routed for Brent to take in additional gas.

It also comes at a time when special problems are arising in the development of the Anglo-Norwegian Statfjord Field northeast of Shetland.

While the Norwegians have made clear their desire to see gas from the field piped south to the Continent or to Denmark and Scandinavia, the Gas Corporation is reported to have made clear its desire to buy at least the U.K. gas reserves in the field.

The report, published yesterday, says: "Consumers need not be given greater protection against the health hazards discovered."

It lists six of the worst practices which the authors believe actively contribute to the contamination of food sold to the public. They are:

1—Staff handling both cooked and uncooked foods with the same hands.

2—Assistants unprotected hair touching food when bending.

3—Bacteria "given a lift" by the practice of sticking plastic or metal labels into foods—an ideal way of transferring bacteria from one food to another, as the labels are not cleaned before transfer.

4—Many shops "unashamedly" allowing live animals inside their premises.

5—Dented and rusty cans on sale.

6—Almost 100 shops with frozen foods loaded above the freezer load line. Freezer thermometers in such a position as to be unreadable or, in many cases, not even provided.

The authors of the survey recommend that the Food Hygiene Regulations should be reviewed with the object of including a detailed list of the offences described above.

TALKS BETWEEN the U.S. State Department and the Department of Trade start in Washington to-day on the dispute with Pan American over the levels of commission it pays to the District Council development control sub-committee.

FEES FOR THREE COLLEGES

Tuition fees are to be charged for the first time to students aged over 18 at three further education colleges in Ayrshire and Dumfriesshire.

Approval was given yesterday by the Strathclyde Region education sub-committee.

Mr. George Rogers, one of the senior officials responsible for civil aviation affairs in the U.K., will represent the DoT.

The aim of the talks, so far as the U.K. is concerned, is to convince the U.S. that under the Anglo-U.S. Bermuda Air Services Agreement, the U.K. has the right to insist on the same levels of commission being paid to agents for tickets sold at each end of the route.

This means the U.S. accepting British airlines paying a 3 per cent. rise in commissions.

Microbe research curbs urged

BY DAVID FISHLOCK, SCIENCE EDITOR

TIGHTER controls on scientists studying dangerous diseases and clear responsibility for safety in laboratories authorised to work with the more hazardous microbes are recommended in a report published by the Department of Health.

Two present uses of dangerous microbes—in testing disinfectants and in teaching—should be discontinued, says the report.

It also suggests that a Dangerous Pathogens Advisory Group of experts be set up to advise laboratories handling or more of the equine encephalitis group of viruses.

It admits surprise at the large number of laboratories in possession of pathogens, and recommends that the practice should cease in "any laboratory which cannot show good reason for continuing."

Where there is any element of special risk to the public, the accessibility of the proposed research should be subject to independent decision taken outside the laboratory.

The working party recommends that eventually legislation should be introduced to make the voluntary system of controls compulsory.

Report of the Working Party on the Laboratory use of Dangerous Pathogens, SO 55.

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THE PAN AMERICAN Users' Committee, set up to help the Civil Aviation Authority handle complaints about the quality of services offered by U.S. airlines, has 225 complaints in the six months to the end of March, compared with 181 complaints in the whole of the previous year.

While this volume of complaints is still small in relation to the overall volume of air travel, it indicates a growing awareness of the existence of the committee.

Mr. Peter Shore, considering the revocation of the airline's permit to fly to the U.K., has the U

LABOUR NEWS

Broken contract will hit workers, says Murray

By CHRISTIAN THOMAS, LABOUR STAFF

MR. IAN MURRAY, TUC general secretary, warned trade unions in a memorandum issued yesterday that they would be the sufferers if they broke the social contract.

"I know there is a growing view that 33 per cent is the going rate and that there will be more on top of that. But by breaking the contract we do ourselves a favour."

"What sort of sense is there to go on escalating? What do you say to double-digit increases overnight? There will be no real increase there, and you know it."

Mr. Murray was addressing the annual conference of the National Union of Public Employees at Scarborough. The day after, delegates voted unanimously to press for 33 per cent pay rises this autumn.

Yesterday, the delegates defeated a resolution urging rejection of the social contract after applauding Mr. Murray's speech defending it.

Mr. Murray emphasised that the TUC is framing the social contract and discussing policy with the Government.

Buy U.K. missiles, unions say

Short price freeze is possible, Mr. Jones suggests

By OUR LABOUR STAFF

TRADES UNIONS with several thousands of workers employed in the U.K. guided weapons industry are stepping up their pressure on the Government to ensure that the Army buys British missiles for future anti-tank requirements instead of the French and German weapons now favoured.

The unions say that the Army is planning to buy anti-tank weapons worth £100m, notably the Franco-German Milan, in place of the British Beeswing for use on Land Rovers and other vehicles, and the Franco-German Hot instead of the Hawkings for use from helicopters.

They say that the weapons made by the British Aircraft Corporation are superior to the Franco-German weapons, but that the Ministry of Defence and the Army have continually changed their thinking on requirements and have made it virtually impossible for the BAC to meet their needs.

"The policy decision to buy the French Hot and Milan was made in spite of the fact that we could go into almost immediate production of Hawkings and Beeswing, both of which have some considerable advantages over their French counterparts," says a statement by the Joint Trades Union Liaison Committee of the BAC's Guided Weapons Division.

"The range of Beeswing is double that of Milan, with no reduction of accuracy."

The unions point out that the choice of French weapons would effectively prevent the future development in Britain of all anti-tank weapons, at least for the next 10 years and possibly for all time. This would result in the break-up of development teams and future recruitment would be drastically curtailed.

£1.5m. plan for training

By OUR LABOUR STAFF

THE MANPOWER Services Commission is planning to make available £1.5m. to private companies and colleges of further education to maintain training programmes that would otherwise have to be closed because of lack of funds, it was announced yesterday.

Sir Denis Barnes, chairman, said the "awful experience of past years whereby recession has to be cleared with the Government, but at the same time is followed by boom, with its attendant shortage of manpower already allocated for training no skills, must be broken."

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They say that the dock labour scheme, which virtually gives the dock workers a serious impediment to the creation of an integrated and flexible employment structure...

The Association's comments were supported by the British Ports Association, which said in March could force very small ports to close and "lead to the industry's problems.

As an alternative, they advocate a licensing system for the ports and industrial areas to prevent industrial unrest such as the recent five-week strike by London dockers over container handling.

The proposals contained in the trade unions' document published by the Department of Employment in March could force very small ports to close and "lead to the industry's problems.

As an alternative, they advocate a licensing system for the ports and industrial areas to prevent industrial unrest such as the recent five-week strike by London dockers over container handling.

Their detailed comments on employers, which would make sure that proper terms and conditions of employment are being observed.

Employers ask the Government to consider doing away with statutory dockers and not the people prior to present-day conditions."

Employers hit at docks plans

By OUR LABOUR STAFF

The port employers have got a very strong case against the Government's plan for extending the dock workers' employment scheme designed to prevent industrial unrest such as the recent five-week strike by London dockers over container handling.

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BANCO DI SICILIA

Public credit institution with Head Office in Palermo, Italy

Capital Funds Lire 103,679,885,976

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1974

(in million Lire)

	ASSETS	LIABILITIES	
Cash and due from Banks	L. 185,874	Capital and reserves	L. 102,885
Securities owned	1,051,545	Special reserves	1,038
Participations and Investments	37,398	Special funds	99,417
Advances and loans in Lire	2,851,090	Accounts and deposits in lire and foreign currencies	3,149,037
Advances and loans in foreign currencies	213,488	Bonds in circulation	854,355
Banking premises and real estate properties	20,340	Other liabilities	184,359
Engagements on account of customers for acceptances, confirmed credits and forward foreign exchange transactions	272,712	Acceptances, confirmed credits, forward foreign exchange transactions and other obligations on accounts of customers	272,712
Credits towards the tax collector's office	130,150	Engagements towards fiscal authorities for taxes collection	138,187
Miscellaneous accounts	585,409	Miscellaneous accounts	544,694
TOTAL:	L. 5,348,006	Profit of the year	1,332
Contra accounts	L. 2,366,197	TOTAL:	L. 5,348,006
	L. 7,714,203	Contra accounts	L. 7,714,203

On the 29th April, 1975, the Annual General Meeting of the Board of Banco di Sicilia approved the accounts for the 1974 financial year, during which customers' funds managed by the bank increased to Lire 4,102 billion (+ 19%), ordinary and special lending reached Lire 3,065 billion, while operational and liquidity reserves and funds invested in securities exceeded Lire 1,200 billion.

Following the allocation of the net profit for 1974, determined with the traditional conservative criteria, in the amount of Lire 1,332 million, the Capital funds of the bank amount to Lire 103,680 million, of which Lire 60,552 million represent reserves.

Supplement sought to nurses' pay deal

By Our Labour Staff

THE DEPARTMENT of Health is to be asked to make cost-of-living payments to the pay deal for Britain's 300,000 nurses concluded two months ago.

The demand comes from the white-collar National and Local Government Officers Association, which has relatively few nursing members but is campaigning on a broad front for future cost-of-living protection for 300,000 members in the public sector.

NALGO will raise its demand at the end-of-month meeting of the Nurses and Midwives Whitley Council, pointing out that the unions reserved the right in the last nurses' agreement to reopen talks within 12 months if inflation continued unexpectedly high.

Voted out

The big nursing unions may support NALGO's initiative, but the strength of that support remains to be seen.

The leadership of the Confederation of Health Service Employees, with about 30,000 nurse members, only recently voted out resolutions put to it which called for the nurses' deal to be scrapped and renegotiated.

From April 1, nurses' pay was raised by an average 11.2 per cent, but since April last year their rates have risen by more than 50 per cent, when threshold payments and the "special case" Halsbury award are included.

Although the last principal settlement was concluded at the end of March, NALGO yesterday pointed to a 12 per cent increase in the Retail Prices Index since November in support of its case for reopening talks.

The move comes after the decision on Monday of the National Union of Public Employees—which has about 80,000 nurse members—to seek a 33 per cent pay rise this autumn for all its 500,000 local authority and Health Service members.

Town hall militancy reminder

By Our Labour Staff

A REMINDER of the militant mood of town hall staff pursuing a 35 per cent pay claim came last night from a leader of the National and Local Government Officers Association.

Mr. Jack Bradburn, vice-chairman of the union's local government committee, said that plans for industrial action were being drawn up for submission to the union's conference on June 9.

The move comes after the decision on Monday of the National Union of Public Employees—which has about 80,000 nurse members—to seek a 33 per cent pay rise this autumn for all its 500,000 local authority and Health Service members.

The union is not divulging its industrial action plans, but they are more likely to involve selective strikes by staff in key areas such as council computer centres as a national stoppage.

This strategy is in accordance with the direction of NALGO delegates, who last month instructed their negotiators to seek £10 a week more across the board plus 15 per cent—claim that if met would add an estimated 35 per cent to the pay bill of £1bn a year, covering 400,000 white-collar workers.

NALGO had already lodged a claim for future cost-of-living protection. This is being discussed separately and will probably take second place to the principal cash claim.

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FINANCIAL TIMES SURVEY

Wednesday May 21 1975

JPL, in lots

FERROUS SCRAP

Twelve months ago the ferrous scrap industry could not provide enough material for the country's steel producers. Now the situation has completely altered and prices have slumped accordingly. However, the longer term situation should certainly prove favourable for ferrous scrap.

Prices at a low ebb

THE LAST 12 months have been extraordinarily turbulent for Britain's ferrous scrap industry. This time last year the industry could not provide enough material for the country's steel producers and the price of scrap averaged around £30 a tonne. Now offers of deliveries are being turned away, particularly by the British Steel Corporation's depressed strip mills in South Wales, and prices are not averaging more than £20 a tonne.

It is estimated that over 52 per cent. of all the steel produced in Britain comes from scrap. It is the source of around 75 per cent. of all cast steel, 50 per cent. of all cast iron, 80 per cent. of all wrought iron and 60 per cent. of all refined pig iron. It is easy to see, therefore, that ferrous scrap, and the industry formed around the collection of the material, make an immense contribution to the U.K.'s balance of payments, saving the nation the cost of importing millions of tonnes of iron ore each year.

Pinch

Some of the smaller concerns are obviously feeling the pinch at the moment, with the industry in the depths of recession, but this is not true of all. One of the very biggest companies make an immense contribution pointed out to me recently that the U.K. balance of payments, saving the nation the cost of importing millions of tonnes of iron ore each year.

It is the source of around 75 per cent. of all cast steel, 50 per cent. of all cast iron, 80 per cent. of all wrought iron and 60 per cent. of all refined pig iron. It is easy to see, therefore, that ferrous scrap, and the industry formed around the collection of the material, make an immense contribution to the U.K.'s balance of payments, saving the nation the cost of importing millions of tonnes of iron ore each year.

This was not really surprising, however. Until Britain went

In a normal year—which 1975 retained not prices. And most will not be—the U.K. uses nearly 19m. tonnes of ferrous scrap, point very well.

With the British Steel Corporation consuming some 12m. tonnes, other steelmakers 3m. tonnes and iron founders some 4m. tonnes.

About half of this scrap is recycled in the course of production in steelworks and foundries, while most of the remainder is recovered by the reclamation industry, using increasingly sophisticated machinery. Scrap is now very big business—annual turnover of the ferrous scrap sector of reclamation is well in excess of £300m.—yet there still appears to be room for the small man within it.

Although four companies account for about half of the trade carried out in scrap in the U.K., the British Scrap Federation has more than 700 members and it has been suggested that there may be as many as 20,000 collectors in all.

From the horse and cart brigade to the highly sophisticated concerns at the top of the industry.

This may be partly due to the stated intention of the British

Steel Corporation, the scrap industry's biggest customer, to concentrate its business into fewer hands. Last autumn the BSC introduced what was called a two-tier buying system in an attempt to reduce the number of merchants—then about 260

—which it dealt with. Under the two-tier system the industry should be emphasised, the Corporation began to pay premiums for agreed tonnages to three leading merchants—the Cohen 600 Group, Thos. W. Ward and Cooper. Later the number was extended, but not so far as to include all the BSC's previous suppliers.

At present the BSC is reviewing, however. Until Britain went

ing its list of scrap suppliers into the EEC the operation of £35 to £34 a tonne, while the scrap industry had been price for lower grades is now £10 a tonne, which

which it feels do not have

35-year-old agreement between

means that it is hardly worth

the past the Corporation claims

U.K. steel producers.

Under this agreement prices

were fixed centrally in return

for the steelmakers undertaking

to give preference to scrap arisings

in the U.K. The merchants

obtained some security of demand

were guaranteed a relatively

cheap raw material supply.

This rather comfortable

arrangement was brought to an

end two years ago, however, in

preparation for Britain's moving

towards full conformity with the

rules of the ECSC, which pro-

vided for free trade in scrap

industry which once looked

probable—certainly not in the

short-term.

Apart from the volatile nature

of demand, and the strong im-

pact this has had on prices, the

scrap industry has also had to

cope with a great deal of re-

structuring and uncertainty be-

cause of Britain's membership

of the European Coal and Steel

Community. In general, it

was almost as soon as the last

price rise was agreed between

the merchants and the BSC,

evidence was mounting that the

bottom was about to drop out of

the market for steel world-wide

and that scrap prices would

come under pressure.

And that is what happened.

Since the middle of January this

year the price of best quality

ferrous scrap has slipped from

the hand, overseas sales amounted to \$4,886 tonnes, worth around £3.8m.

Exports are already increasing, therefore, following the end of the controls on sales within the ECSC, and Britain's steelmakers are not likely to want to see a much greater proportion of scrap start leaving the country.

Parts of the private sector steel industry are particularly anxious that exports should not get out of hand.

The general feeling within the sector is that the market for steel could be booming again in two years' time. This would mean that scrap—the most important basic material for

it makes up most of the charge fed to electric arc furnaces—will become scarce again.

Certainly this seems to be the Government's assumption. Its one real complaint about membership of the ECSC has been that this has meant that it has been unable to control the private sector steel investment, and particularly the proliferation of scrap-consuming mini-mills. And the Government's "War on Waste" Green Paper, produced last year, also assumed that longer term market forces were favourable to further growth in scrap recovery.

Harold Bolter
 Industrial Editor

Dual benefit

THE CLAIM that the scrap industry removes an ugly scar while providing a valuable national asset is unlikely to be challenged and it is to be hoped that its dual contribution to the economy and to the protection of the environment will increase further.

All scrap iron and steel that is unused is at best an encumbrance and an unnecessary drain on vital resources while, at worst, it represents a dangerous eyesore. The scrap industry, therefore, serves the community on two levels, providing an essential raw material and helping to shield the environment from the cumulative clutter of unwanted and outdated

machines, equipment and buildings which are being constantly rejected by rapidly expanding technology.

It is equally true to say that while the industry's contribution is immense, its value has been underestimated for far too long.

Few sectors have had to fight the against such a poor image and saving through the use of scrap in steelmaking has been estimated at over £100m. a year and while that in itself represents a valuable contribution towards restoring the nation's health, no estimate can reasonably be placed on the value of the environment will increase further.

To take a simple but important example, more than 1m. old

ant example, more than 1m. old

from tatters to giant companies,

vehicles are each year removed

from the streets and rubbish

tips and recycled in whole or in

part for a second time round.

But if the past record has

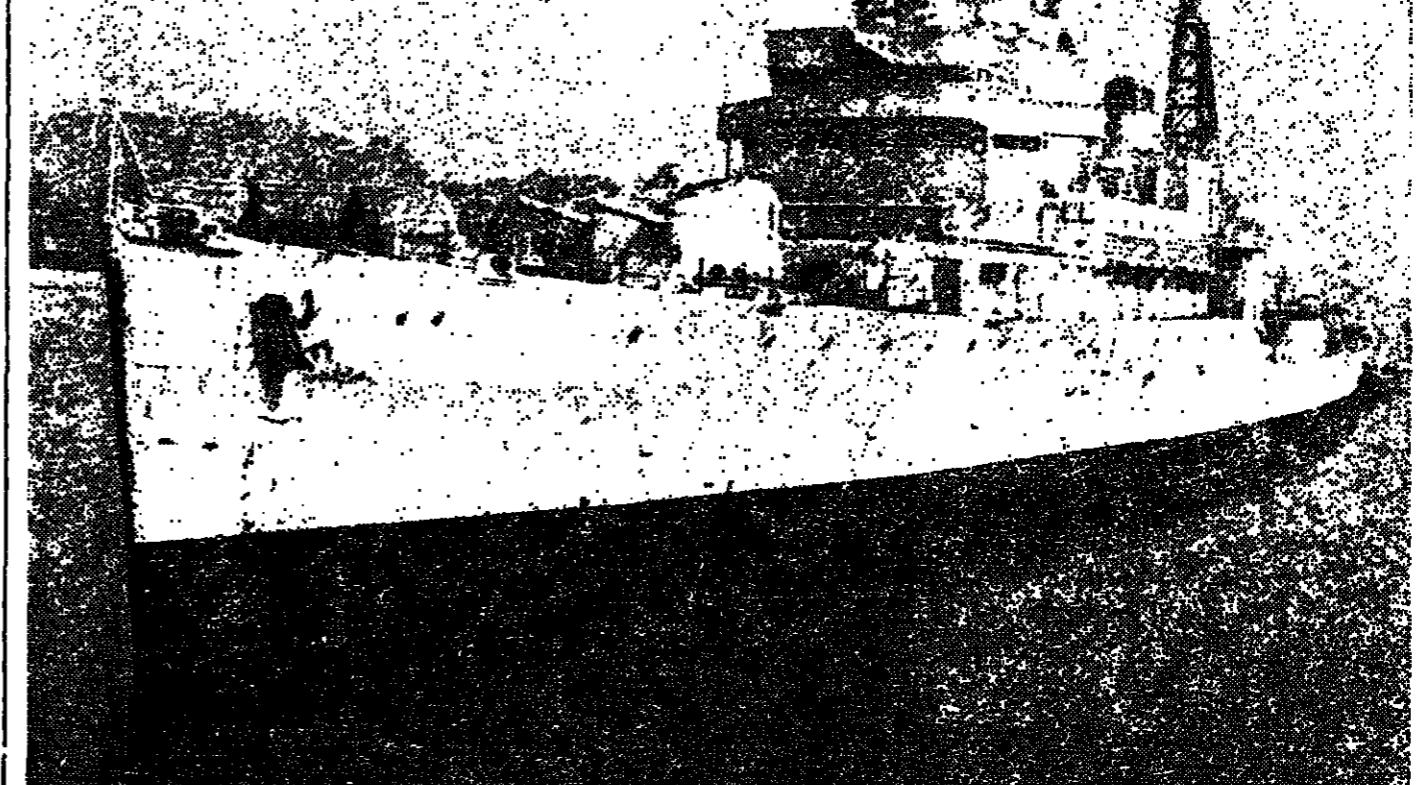
gone largely unrecognised, the

general climate is now appar-

ently changing quite rapidly.

CONTINUED ON NEXT PAGE

How will HMS 'Lion' serve the nation next?



Pictured on arrival at Ward's Inverkeithing shipbreaking yard on April 24th, 1975, 'Lion' has come to the end of her useful life as a ship of the line. But her active role in the country's affairs is far from finished. For she is to yield 8,500 tons of valuable ferrous metals for the British steel industry. Ship dismantling at 3 major yards is just one recycling activity of the Ward Group. A further 21 scrap metal

works throughout the country and a Works Dismantling division collect, grade, reprocess and distribute ferrous and non-ferrous metals on a vast scale, producing an essential raw material for many of the goods we use and export. So, from helping to maintain the balance of power, 'Lion' will now materially aid her country's balance of payments, as part of the continuing contribution Ward makes to industry's needs.



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Ilkeston Metal & Waste Co. Ltd., Rutland Street, Ilkeston, Derbyshire Tel: 4373 (STD 0607-2).

E. J. Webster Ltd., 119 Bow Road, London E3.

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E. J. Webster (Northern) Ltd., 76 Hillinge Road, Leeds 10

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in markets

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5, Dock Chambers, Bute Street, Cardiff.

THE U.K.'s biggest user of the stockbuilding currently are some longer term happenings which could have some way fears the coming of more scrap industry's largest customers. Last week the Department of effect on the markets for scrap, direct reduction capacity in the U.K. The feeling is that the Corporation suggested that the development of the mini-mills in the U.K. is one factor. The steel industry's normal output. They use high-grade scrap and produce high-quality, low-volume, special steels.

What of the other main market for scrap? Demand by customers of the ferrous foundries is also very much reduced just now. And that industry in 1974 did not have such a successful year as had been expected.

Production of iron castings totalled 3.19m. tonnes, some 7 per cent below that for 1973 and 3 per cent down on the 1972 performance. In fact, it was the lowest annual tonnage since 1947 and could be attributed to the misfortunes of two of the industry's largest customers—the motor industry and the steel industry.

Things can scarcely have improved for the ironfounders because both these major markets—the auto-mobile sector, which embraces passenger cars, commercial vehicles, diesel engines, tractors and cycles, takes nearly one-third of all the iron castings produced in the U.K.—still show no real signs of recovery below the March figure of 498,700 tonnes and 6 per cent below the April 1974 level.

Giving the details last week the producers blamed "the continuing cut-back in orders from the manufacturing industry." They said that the fall in demand, which first affected flat steel products at the beginning of the year as a result of the depressed output from the motor and consumer durable industries of the special steels, foot and many of the ironfoundries are more or less tube—thanks to the North Sea operations. Recovery, when it comes, will be delayed to some extent by ferrous scrap industry, there

so the scrap industry in no longer generating more scrap than orders placed towards the end of 1974." Total steel stocks in the U.K. at the end of April 1974 were at a peak of 5.98m. tonnes, particularly now that it is equal to 18 weeks normal putting in so much new plant supply. and equipment, and you have some idea of just how interdependent are the steel makers, their customers and their suppliers.

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Things can scarcely have improved for

FERROUS SCRAP III

Shortages likely to occur again

THE RECENT news that Welsh steelworks were declining to drop. And, second, they face further scrap deliveries additional problems caused by the time being is but the fact that the supply of scrap latest blow in what must be as material, although it can vary severe and rapid a reversal of considerably, does not necessarily fortunes as the ferrous scrap rarely bear much relation to industry has seen for a long demand, and that their own while in these inflationary times, frequent price changes at least the pre-existing level are the order of the day, and when the prices the merchant scrap has been no exception, can command fall.

So far this year, the price paid by steelmakers has changed four times—but in a downwards direction. And this has happened hard on the heels of a period in which prices were fast going up—four advances in 1974—and severe shortages of material were occurring.

Slump

Behind it all, of course, is the slump in steel demand which has hit all the world's major steel producers at much the same time, forcing output down to near disaster levels. So bad has the situation become that, on the Continent, some producers put in a plea for aid to the European Commission (which very largely rejected it), while, in Britain itself, the slump resulted in the well-publicised short-term redundancy proposals of Sir Monty Finniston, the British Steel Corporation chairman, which come on top of the existing long-term plans to reduce the BSC labour force (and which have helped to lead to the almost ludicrous—if it had not been so serious—row between Sir Monty and Mr. Anthony Wedgwood Benn, the Industry Secretary).

The scrap merchants themselves are caught two ways by the consequent effects on them of changes in the demand and price equation. First, they suffer in the same way as any

business when its sales turnover scrap it uses from outside. Last year, its total consumption was halted and then reversed despite 12.2m tonnes, of which 8.6m tonnes were purchased at home, and its requirement that sales to the EEC, at least, be gradually freed over transition period following the demise of the pricing and marketing agreement which, for over 30 years, had tied the merchants to the British steel industry and was associated with tight State control on the overseas sale of what is regarded as a strategic material.

At the same time, BSC introduced, in some secrecy, a policy of paying premium prices to selected merchants in a controversial bid to gain security of supplies. As late as November, overall prices were still rising, and some surprise was occasioned by the Government's honouring the Common Market commitment to free exports to the other European Coal and Steel Community countries when it did so at the year end (though it is difficult to see that there was any alternative).

But it was not long before it became clear that the situation was changing, and changing very rapidly. In January, prices started falling. In February BSC imposed price cuts and the British Scrap Federation was reporting "a rather gloomy picture with little or no encouragement or relief from overseas markets."

The Continental market was "still weak, with very little demand for scrap in some of the EEC countries" (so much for the freeing of exports to the Common Market). Spain and Italy were buying limited amounts, but the removal of export restrictions by the U.S. was tempering demand there.

CONTINUED ON NEXT PAGE

A new consortium

THERE CAN be few industries so tightly integrated in their operations as the ferrous scrap industry. At one end of the scale are the toffers, gipsies and boys who hawker and very small businesses doing their own collections of abandoned ferrous and other material and up to taking some rudimentary sorting of it.

Generally they sell to the 300 or so medium to large merchants handling 5,000 tons upwards a year, doing most of the acquired Metal Industries which, central, collecting and employing extremely sophisticated equipment in many cases. More than half of these larger companies sell directly to steelmaking industries (whose operations, the remainder, are obvious from its name) with the others before their products, too, find their way to non-ferrous scrap concern.

This outline of the industry structure shows quite clearly how one company takes over and completed a deal with another, but even the men George Cohen, 600 Group subsidiary of London and Northern with the "Stephens and Son" which their scrap operations Securities and at the same time image play their part. In were combined. Thorn ended up the parent company of Cooper

mainly concerned with scrap. United also takes in John R. Adams of Glasgow, another well-known name in the industry.

Then there is Brassway, based in the Midlands; the Bird Group which through Birds (Swansea) and other subsidiaries is one of the leading processors of high density scrap; Arnott and Young, probably the largest ferrous merchant in Scotland; Church and Bramhall, another Midlands-based business; and Proter Cohen, another 600 Group subsidiary which specialises in the scrapping of cars.

Expensive

Although this is an integrated industry and one where the big boys feel they have the responsibility to look after the smaller fry because that is the only way they can make the system continue to work properly, there has been a tendency for the larger companies to get larger.

This is because what used to be a labour-intensive industry—and, indeed, remains so in many of its operations—has in recent years tended to become more capital intensive. This is particularly so because of the need to have expensive processing equipment. Not long ago a scrap yard might have had a crane and small shears but the main work was done by men with crowbars, hammers, burners and other tools. Now yards have huge hydraulic guillotine shears, special fragmenting plant, car crushers and so on. The best yards are being roofed over to give factory-like conditions with flow-line techniques.

All this, and the fact that some scrap processing machines cost well over £1m. each, shows just how sophisticated the business has become. And, to support all this capital equipment, the throughput must be kept as high as possible and turnover increased.

The scenario is one which in other industries tends to lead to mergers, in the U.K. a perfectly natural way for companies to gain "instant bigness." However, the ferrous scrap industry seems to be trying a different approach. Only a couple of months ago 12 medium-sized companies formed themselves into a consortium, which they have called Unicorn, to trade in ferrous scrap.

The rest of the industry is now watching carefully to see how well the idea succeeds. Given the difficult trading conditions at the moment, success will have to be worked for. But if the Unicorn scheme works, then we can expect other consortia springing up to follow its lead.

1966 Volvo 144

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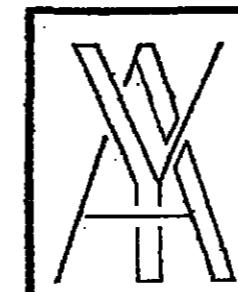
The system, the first of its kind to be built in the U.K., enables cars to be fed in less engines and petrol tanks (up to 60 an hour), and once they're shredded every piece of non-metallic debris is removed.

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Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: 885341/2, 885397

Birmingham: George House, George Road, New York, 75 Rockefeller Plaza, NY 10019
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Bonn: Preussag, D-1100
Frankfurt: 6 Frankfurt am Main, 069 222500
Brussels: 39 Rue des Francs-Bourgeois, 1000 Brussels, 02-224 0000
Rome: Via della Mercede 15, 061 3314
For Business News Summary Ring: 01-248 8025; Birmingham area, 021-246 8025

WEDNESDAY, MAY 21, 1975

A low price—and no refund

"ALONG the wires the electric and prices in the main trading message came: he is no better, countries of the world, that is much the same" wrote a lead in the National Institute to past Poet Laureate; and not the conclusion that there probably even his death enabled him to buy has been some diversion live it down. There may be a of trade (apart from food) from temptation to pique similar fun outside to EEC markets, and at the National Institute of also an accelerated growth of Economic and Social Research, trade between Britain and the which has employed a baffling EEC. The diversion of trade armoury of economic analysis generally involves a small to prove what most detached resource cost, since it is due to observers already suspected: it is very hard to prove anything, enabled high-cost suppliers to capture markets previously held by lower-cost competitors. On the EEC after the first two years of membership. All the same, it is a very different thing to suspect a thing and to know it, and this painstaking research provides an authoritative answer to some of the economic nonsense which has been heard.

Great importance

This in itself would be a valuable service, but the study makes a further point of great importance: even where it may be suspected that joining the EEC has entailed some economic cost, this is not at all the same thing as saying that this cost could be recovered by getting out again. A large part of the cost of joining is the loss of preferential advantages which we used to enjoy in EFTA and the Commonwealth, where British exports were more favourably treated than those from other countries. It is highly unlikely that any of these countries would wish to resume a preferential arrangement with the U.K.: the EEC has far more to offer.

How much is the cost involved? The National Institute, which has always been sceptical about the supposed economic advantages of joining the EEC, concludes that the actual costs incurred are almost impossible to measure accurately, but are certainly less than the 1-2 per cent of GNP which was generally agreed as the likely price before we joined. They conclude that the trade figures themselves—the ones which Mr. Shone and Mr. Benn like to store there which could invalidate the political case for membership. The cost has been analysed, taking into account the small, and there is no refund movement of incomes, output available.

The compromise on steel

THE MOST significant aspect of the agreement reached this week is that by the 1980s, if the steel industry was to match Japanese standards of efficiency, it should be employing no more than 50,000 men, compared to 220,000 today. The broad outline of the strategy, involving the closure of uneconomic plants and the concentration of bulk steel output at five main works, was agreed after much delay by the Conservative Administration. But because the present Government was committed by its election manifesto to reviewing the closure programme, it is still uncertain how much of the strategy will be allowed to go ahead.

The modernisation of the 20,000 men redundant, as Sir Monty Finniston, chairman of the BSC, had suggested last month, but there was never much chance that such drastic measures would be acceptable to the unions. Alternative methods of reaching the same objective had to be sought.

Alternative

No doubt the quickest method would have been to declare voluntary redundancy, early retirement, restrictions on recruitment, cutting out overtime and other measures. While the package may not be totally satisfactory to the BSC management, it gives them at least part of what they had asked for when the negotiations began. It is probably wrong to regard the agreement as a defeat for Sir Monty Finniston—still less as a victory for Mr. Wedgwood Benn. The days when employers could lay off thousands of men in a recession and re-hire them in the upturn have gone; the motor industry, which had a notorious record in this respect, is having to adopt much the same sort of measures as the BSC in coping with the present slump in demand.

The public argument between Sir Monty and Mr. Wedgwood Benn, however, was not just about the short-term consequences of the recession. It was also about the industry's long-term strategy, based on fewer unions.

Guy de Jonquieres reports on falling American car sales—at a time when imported models are booming

Detroit is sailing, and being nibbled to death by midgets

THE U.S. motor industry's hopes for a modest sales recovery during the second quarter of this year are now fading rapidly and may soon be abandoned. The new car buyers who had been expected to stream into the showrooms, armed with their \$200 Federal tax rebate cheques, have so far failed to appear and sales have remained in a deep trough.

In April, Detroit sold about 518,000 cars in the U.S., 26 per cent less than in the same month last year when the public was still reeling from the impact of sharply increased petrol prices. During the final 10 days of last month sales dropped by 32 per cent compared with the same period of 1974, with a 20 per cent fall coming in the first 10 days of May. In those first 10 days of this month, furthermore, sales were only 70 per cent of the level of the 10 preceding days.

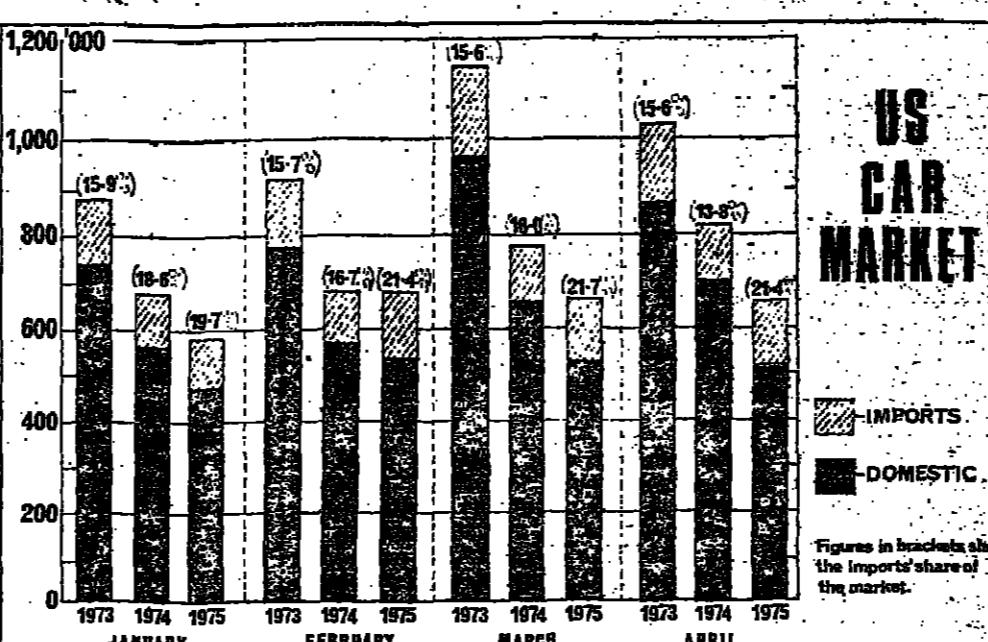
To make matters worse, imported cars have been enjoying what can only be called a boom. In each of the past three months foreign cars have sold better than during the same month in 1974 and have captured more than 21 per cent of the market among the biggest shares ever achieved. As one uncomfortable Detroit executive put it: "It's like being nibbled to death by midgets."

Three main hopes

Detroit's hopes for a market recovery had rested on three main calculations: that late spring and early summer are traditionally good selling seasons; that a steadily improving U.S. economy, declining inflation rates and the stimulus from recently enacted tax rebates totalling \$20bn, would revive consumer demand; and that ample supplies of petrol at prices lower than a year ago would relieve fears about shortages.

In anticipation, most motor companies had added modestly to their production schedules, re-hiring workers and stepping up operating shifts. Their targets could hardly be termed ambitious, calling at their peak for second quarter output of about 1.9m. cars, or 9 per cent less than in the same period of last year. For the year as a whole, the consensus forecast is that the market will be up 1.5 per cent, and that imports of petrol at just under 8.5m. units. That was about 400,000 less than last year and about level with the 8.4m. sold in the recessionary year of 1970.

Yet even these cautious plans now look decidedly optimistic. Efforts to excite buyer interest through dealer sales contests at General Motors and Ford and through the reintroduction of last February's price rebating at Chrysler have not borne fruit. In Detroit the talk is



All lined up and nowhere to go: some of the hundreds of Chrysler cars parked at the Newark, Delaware, plant. The company's unsold stocks have soared to almost twice the level considered normal for this time of year.



turning to retrenchment. In to be studying a contingency plan to close four of its six U.S. plants, from almost 10 per cent, from almost 14 per cent, a year or so ago. weeks at a time this summer. Despite its reintroduction of mass closures last winter, the sell-off—Chrysler's unsold company has denied that such stocks have soared to almost twice the level considered normal for this time of year.

This week, Mr. Henry Ford broke with the outwardly confident tone that Detroit has tried to maintain for the past few months. He said that he had "written off" the 1975 model year, which runs until next autumn, and indicated that he doubts whether there will be any significant upturn even in the final quarter. Mr. Ford also revised downwards his full-year sales forecast to between 8m. and 8.3m. units from an earlier prediction of 8.4m.

General Motors, which has consistently issued the most bullish forecasts, so far has not significantly altered its production plans, although recently it has been less forthcoming about the outlook for the industry.

But unless conditions improve to Chrysler's satisfaction, the company is trying to restore profitability through rigorous cost-cutting in all its operations. Out of the recession and fuel price increase to \$3.80, some 800,000 more than Ford's Pinto sub-compact. In April, Volvo's sales rose by more than 50 per cent, despite a price increase averaging 6-8 per cent, which raised the price of its cheapest model to about \$6,000.

This is a substantial premium to pay for a few extra miles per gallon—substantial enough to make it a total market of only 6m. units a year. Ford has reduced its "break-even point" to 8.1m. units.

The sole reason for the success of imported cars is that fuel economy is now undergoing a

seemingly reasonable assumption that someone who pays over the odds for a new car, especially a

continuation of the present

GM and Ford are considerably better placed in terms of financial resources and market

penetration, but they have no

almost certainly be forced to

they were off 43 per cent, in efforts to adjust to shifts in its horns.

Chrysler is already reported April—and its share of a shrink-

The Financial Times Wednesday May 21, 1975

The new car world-beaters to trade in

embargo in 1973, the new car world-beaters to trade in

market has failed repeatedly to find a new and bigger model

live up to their expectations in

A toy of any large used car

the past 18 months. The only toy in the U.S. would indicate

formula that has had any real that many cars are, in fact,

success has been the classic one, traded in long before they reach

of lowering prices, which the point of depreciation, and

stimulated a short-lived revival. This observation is supported

in sales in February. There

the sharp drop in the value of

new cars immediately after pur-

chase when the U.S. economy

is prospering. Perhaps significant models cause a surge of anticipating car purchases. This

happened last year, but was for a number of foreign cars, followed by a steep decline in notably Volkswagen, Volvo and

sales soon after the new model Mercedes-Benz year began.

Probably the most perplexing aspect of the industry's current situation is the remarkable strength of imported car sales.

Ironically, the fall in sales

of Detroit's smallest "sub-

compact" models has been unusually sharp in recent weeks

and most foreign exporters

except for those in Britain, Italy and Japan have suffered

a competitive disadvantage

from the weakness of the

dollar.

The conventional wisdom, backed up by Detroit's own market research, is that the popularity of imported cars is due to their generally superior fuel economy. Though petrol is currently freely available and costs between 50 and 60 cents per gallon in most parts of the U.S., the events of the past 18 months have left many American consumers deeply uncertain about the future.

Such a decision, whether taken consciously or not, would be consistent with the broader picture of slower, long-term growth—possibly even industrial stagnation—which, in

this year.

It is difficult to support such a thesis with facts and statistics that are above dispute, and particularly during recession. When all economic indicators are performing poorly, it would undoubtedly find little welcome in Detroit where senior executives of General Motors have been talking quite recently of total car sales of as much as 18m. units a year before the end of 1985.

Yet some recent actions by major American motor companies suggest that their managers are not fully welcome in Detroit.

The U.S. motor companies argue that foreign cars have been helped by importers' ability to sell lower priced 1974 models out of stock, sometimes

steps are being planned, but twice the level considered

similar denials also preceded the normal for this time of year.

On the international side, the

almost total shutdown last November.

The disappointing performance of the car market is causing concern well beyond Detroit.

Together with housing, the company is trying to restore

profitability through rigorous

cost-cutting in all its operations.

But notwithstanding the confidence of the striking engine

workers at the Coventry plant

extremely weak there is now their wage demands. Chrysler's

increasing doubt about the timing and speed of the expected economic upturn.

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CHASE PUTS NEW YORK IN ITS PLACE-IN THE CITY.

Chase has always held an important place in the City. But times change and Chase is ready to change with them. Now, more than ever before, a different kind of presence is needed from a major world bank.

Chase recognised this need and implemented a major expansion in the capabilities of their City Division. Today's big City institutions and major national corporations demand all the services and facilities of a large world bank directly through a local office. And that is what Chase's City Division is about.

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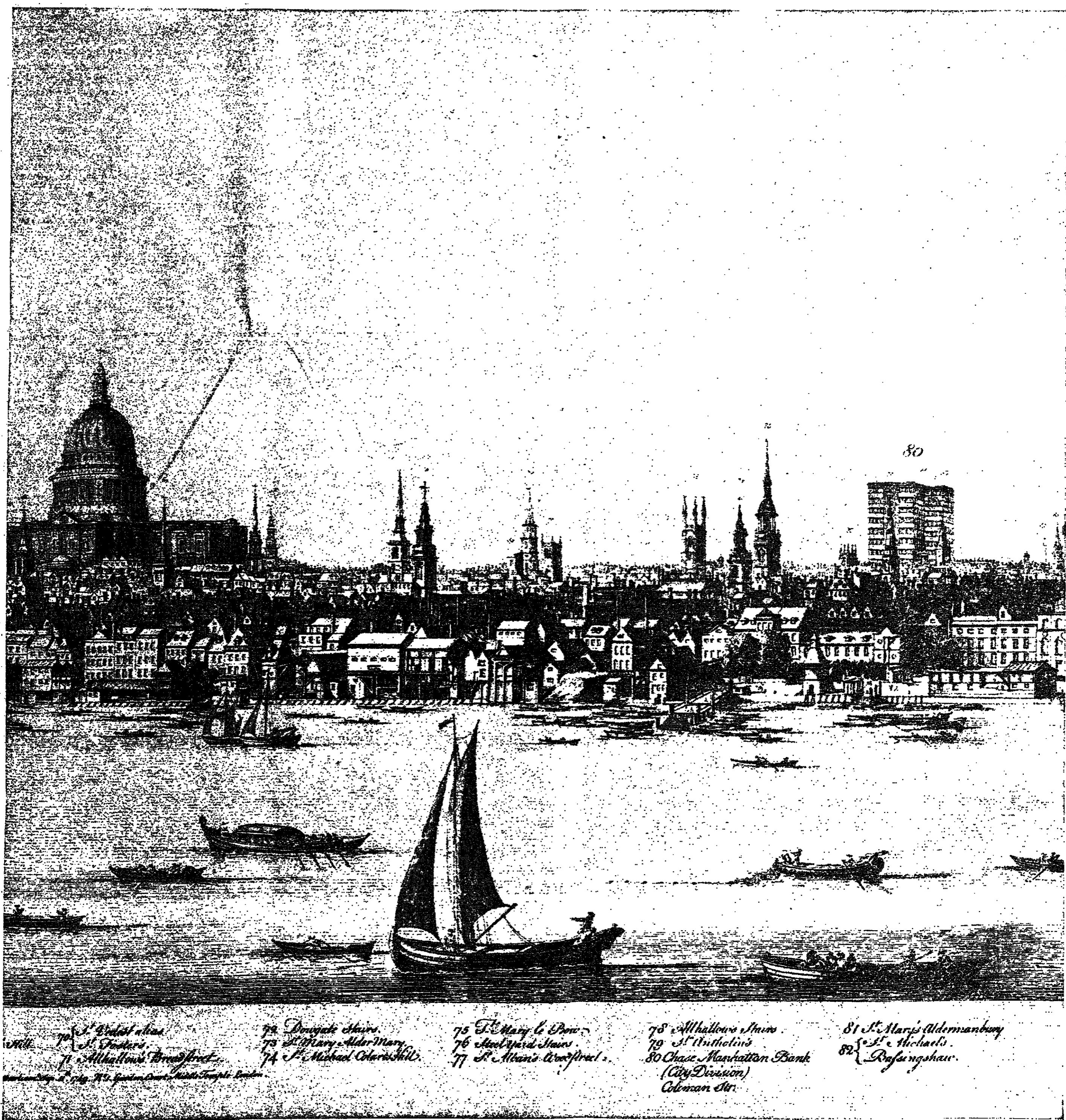
The expansion of our City operations has established Chase firmly in the City—Europe's money centre. To Chase, that's just good business sense. It means better business for us. And better business for you. And that after all, is what good business relationships are about.

For more information contact Roger Griffin, Vice President, The Chase Manhattan Bank, Woolgate House, Coleman Street, London EC2P 2HD. Telephone: 01-600 6141.

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10/10/1980

If your company counts the world as its marketplace, the bank to count on is Chase. Chase provides such massive strength, global reach, and high-level banking expertise that many multinational corporations the world over rely on Chase as their primary financial intermediary wherever they do business.

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CHASE REPORTS:

To supply the world with enough oil by 1985, the petroleum industry needs to spend over \$220,000,000 a day.

Can the world afford to make this investment? Or, more importantly, can it afford not to make this investment?

What follows is a summary of a report just released by the Chase Energy Economics Group.

This Group was set up 40 years ago, to study the capital and exploration costs of developing petroleum reserves.

Its four decades of experience, including Chase's active financing of these capital investments worldwide, has given Chase a unique knowledge of the petroleum industry's financial needs.

Chase's experience, which is both multicountry and multicompany over a lengthy time-span, has also been sufficient to prove a consistent relationship between the financial input and the amount of petroleum found and developed.

Using this information, our Energy Economics Group has forecasted the costs of finding and developing enough petroleum to satisfy the world's projected requirements.

In 15 years, the world's population will grow by one third.

In the 15-year period 1970-1985, the world's population will have grown from 3.7 to 5.0 billion people.

This fact alone, without allowing for rising consumption expectations in the existing population, makes growth in the energy supply essential.

Oil as supplier of half the world's energy needs.

There are five sources of primary energy. They are oil, natural gas, coal, water and nuclear.

Oil currently supplies half the world's energy needs, reflecting the superior versatility of its liquid form.

During the 1955-1970 period, when demand grew at a 7.5% annual rate, the world consumed a total of 153 billion barrels of oil.

Chase believe that the growth in the use of oil will now fall by almost half, i.e. from an annual growth rate of 7.5% to about 4% for the period remaining to 1985.

Even if oil consumption fails to grow at all after 1973 (an assumption our projection rejects), consumption in the 1970-1985 period will still result in the use of twice as much oil as in the preceding 15 years.

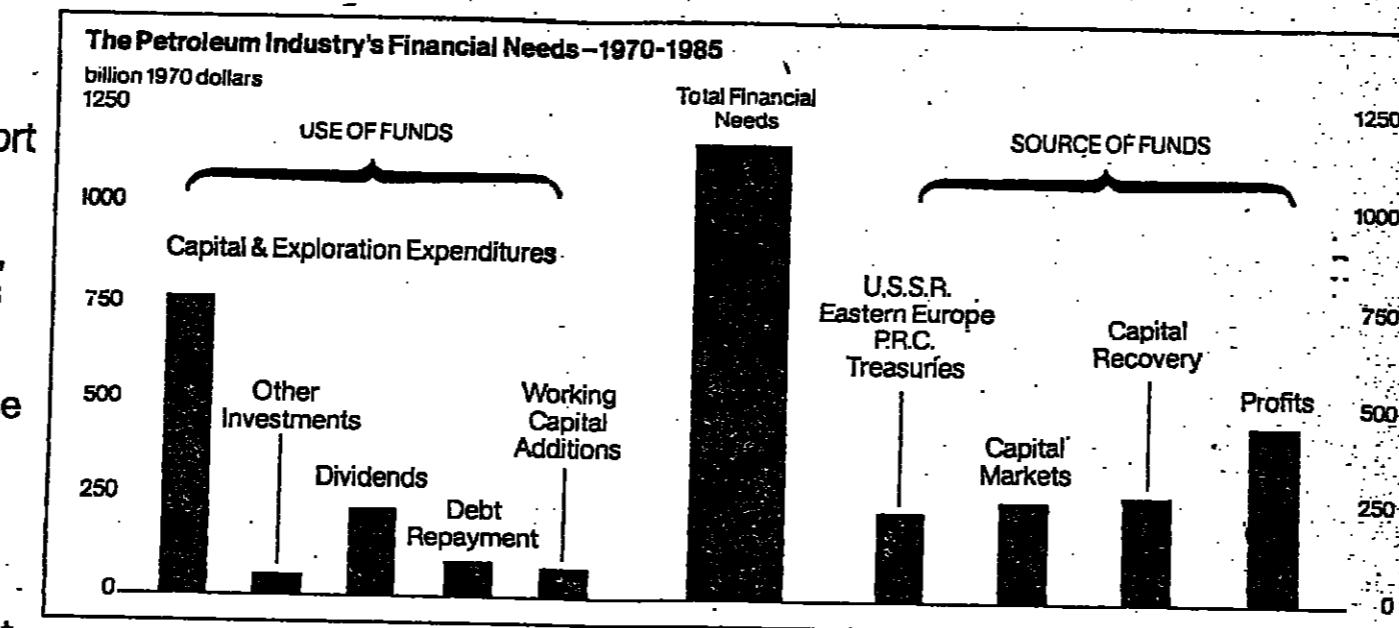


Figure 1.

67% of the oil reserves are in countries which consume 4% of the production.

Reported additions to proven reserves (oil that has actually been found and developed) have not kept adequate pace with demand growth. Nor are the reserves well located relative to market needs.

As much as 67% of the known reserves are concentrated in the Middle East and Africa, a region that presently constitutes only 4% of the worldwide consumption.

And fully two thirds of all proven reserves in existence in 1970 will be required to satisfy the world's indicated needs during the period 1970-1985 alone.

Obviously the situation demands maximum acceleration of the search for more oil, in a more evenly spread distribution worldwide.

Our minimum forecast is that if the petroleum industry is to satisfy present demand needs and also maintain adequate petroleum reserves, it must find and develop a total of 600 billion barrels of new oil between 1970 and 1985.

And this effort must go on until the economic costs of continuing the search exceed the costs of providing alternate sources of energy.

\$1.2 trillion needed by 1985.

To find 600 billion barrels of oil between 1970 and 1985, our studies indicate the petroleum industry will need to invest at least 400 billion dollars for capital and exploratory purposes.

In addition, investment of another 370 billion dollars will be required for refineries, and other processing facilities, tankers, pipelines, the vast market distribution system, and the costly equipment needed to achieve and maintain environmental standards.

The industry will also require more than 400 billion dollars to pay shareholders for the use of funds, to repay debt, and, as the magnitude of its operations increases, to make the necessary additions to working capital.

The relative size of the industry's various financial needs is shown in Figure 1.

Totaling 1.2 trillion dollars, they are more than treble the 375 billion dollars actually spent in the preceding fifteen years.

Where will the money come from?

40% must come from profits.

How the petroleum industry will satisfy its needs for such an enormous sum of money is by no means simple. As indicated in Figure 1, part may be obtained from external sources, but the major portion must be generated internally.

The required financial needs for petroleum operations within the Soviet Union, Eastern Europe, and The People's Republic of China, amounting to approximately 225 billion dollars are likely to be supplied by their own treasuries.

In the Western world, the industry will seek to borrow as much as possible in the capital markets. But the relatively high degree of risk associated with the industry's activities will limit the amount that can be borrowed to a likely maximum of about 240 billion dollars.

Provisions for capital recovery, such as depreciation, depletion, and other write-offs constitute another source of funds. If these are not changed by governmental actions, they are expected to provide 260 billion dollars.

The remaining 460 billion dollars (nearly 40 percent of the industry's total financial needs) must be obtained from profits.

\$60 billion earned. \$785 billion still needed.

The various financial needs discussed above were measured in 1970 dollars, but it is not realistic to think in such terms.

As we have encountered no informed belief that world-wide inflation can be contained as low as 5 per cent, we think it prudent to measure the industry's financial needs in terms of at least a 10 per cent rate of inflation.

In this case, the industry's financial needs would be nearly doubled: the requirements for capital and exploration purposes would rise to more than 1.4 trillion dollars. Other essential needs will be

increased to 760 billion dollars for a total requirement of 2.2 trillion dollars.

With a 10 per cent rate of inflation, the industry requires at least 845 billion dollars of profits between 1970 and 1985. In the first four years (or 27%) of that period the industry generated only 7 percent, approximately 60 billion dollars, of the required amount. Figure 2 illustrates the huge additional amount that must be accumulated over the remaining eleven years.

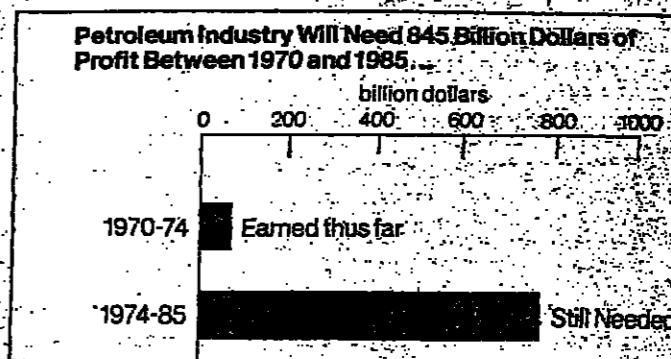


Figure 2.

There cannot be enough energy of any kind without adequate investment. And investment cannot be adequate without sufficient profits.

The potential for finding enough petroleum in the future is promising. But the realization of that potential requires much greater understanding of the problems than exists at present. And most of all requires more co-operation between everybody involved.

There are no financial shortcuts. All the costs must be paid.

Capital formation must be government's business, businesses' business, labour's business, banking's business – everybody's business.

Your business.

This has been a summary of a report prepared by the Chase Energy Economics Group.

If you feel Chase's knowledge of the petroleum industry could have a useful bearing on your business, we'd welcome your contacting any of our specialist petroleum groups.

James A. Adamson, Manager, European Petroleum Co-ordination, The Chase Manhattan Bank N.A., 1 Mount Street, London, W1Y 6JJ.

William W. Higgins, New York.

Andrew J. Berry, III, Singapore.

Antoine P. Courbage, Beirut.

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JP/11-1070

CHASE

Mr. John Boyd's election as AUEW general secretary is a victory, if temporary, for the Right wing, argue John Elliott and John Wyles

Countering the Left with a Right

THE ELECTION of Mr. general secretary is certain to face some formidable political battles whenever he has to work alongside Mr. Boyd.

The outstanding example in recent years of the swing to the Left in the unions have been the elections of Mr. Lawrence Daly, a staunch Left-winger, as General Secretary of the National Union of Mineworkers, and of Mr. Mick McGahey, a prominent Communist, as the NUM vice-president.

Mr. Bob Wright comes when most new faces on the trade union national scene over the past five years or more have been well to the Left of their predecessors.

But the Right wing's jubilation at Mr. Boyd's election is tempered by the realisation that, of the general secretaries of at least four individual major unions, Mr. David last week's decision to abandon Basnett, more radical than Lord Cooper, his predecessor at the General and Municipal Workers; Mr. Geoffrey Drain is to the Left of Mr. Walter Anderson, whom he replaced at the National and Local Government Officers; Mr. Sidney Weighell of the Railways is more aggressive than his elder statesman predecessor, Lord Greene; and Mr. Bill Sirs is now about to change the style of leadership at the Iron and Steel Trades where he is succeeding Sir Trad Davies.

Old system

That decision, taken on the casting vote of the union's Left-wing president, Mr. Hugh Scanlon, when the disqualification of two delegates to the rules revision conference left delegates evenly divided, means a return to the old branch voting system which, until it was abandoned in 1970, was taking the union steadily towards the Left.

Whether moderates succeed or fail in their attempts to overturn that decision, the present controversy will leave the opposing factions within the AUEW—already among the most politically oriented of unions—at each other's throats.

As a result, Mr. Hugh Scanlon, who only recently declared his intention of working "harmoniously" with the men who were elected

No splits

All these changes have come about without the men involved being given Communists or other political tags and without any major political splits resulting from their elections. There may have been support from the Morning Star, the Communist daily newspaper, in the GMWU election three years ago for Mr. Basnett, whom it recommended as the "progressive candidate".

But it would not be true to suggest that the men were elected

as with Communist support against

nearly so interested as their pre-

decessors in making the creation of a militant anti-Communist

Right-wingers. Indeed, almost all of them command general Labour Government and the support from Left and Right, fight against both Communism

Nevertheless there has been an increase in militancy in several groupings one of their main

of the unions since the new men jobs.

took over—industrial action in the gas industry followed closely

Mr. Basnett's arrival at the helm of the GMWU council staff

took action over London weighting almost as soon as Mr. Drain became general secretary of NALGO, and now Mr. Weighell and Mr. Sirs are making militant noises on behalf of their members on the railways under the guidance of Lord

Carron, the Right-winger who followed him in the fight to succeed Lord Carron as the president in 1967, and again in 1970.

But Mr. Boyd has great political stamina and re-emerged

preceded Mr. Hugh Scanlon as from the comparative obscurity of his post-war predecessor—

the Engineers' president and of being the Scottish representative on the union's national

union's "In" bloc vote at the TUC and Labour Party confer-

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COMPANY NEWS + COMMENT

Ozalid ahead £1.58m. to record £8.9m.

AFTER EXPANDING from £3.3m. to £4.7m. at half-way taxable profit of sensitized paper makers Ozalid Group Holdings shows a £1.58m. advance at a record £8.9m. for all 1974. Group turnover increased from £63.1m. to £79.75m.

Earnings per 25p share are shown at 17.5p (15.9p) and the dividend total is raised from 4.89p. to 5.3p with a final payment of 3.13p net.

After tax of £4.64m. (£3.65m.), the net profit emerges £591,000 higher at £4.3m.

The early months of 1975 have continued to present uncertain and difficult trading conditions and it is recognised that the year will prove to be a test year, says chairman, Mr. N. J. Kish.

He adds that the "substantial" increase in turnover and profits in 1974 was due to a considerable degree to the continued expansion of overseas trade from £35m. to £46.5m.; exports from the U.K. also showed a marked increase from £1m. to £8.75m.

In the home market, despite adverse factors such as the "three-day week" and shortage of raw materials, production and turnover held up well.

Comment

Growth on the overseas/expo sales has clearly been the driving force behind Ozalid's 22 per cent turnover gain during 1974. Over the year as a whole overseas sales moved ahead by one third, compared with 18.9 per cent. in the U.K., with most of the punch coming in the first six months. The trading climate now, however, has deteriorated, particularly in the U.K. and North America, although South Africa and Scandinavia are actually better. The trend is for the number of orders to be roughly static but the size of those orders to be down as customers continue to de-stock. The unavoidable conclusion is that profits will be lower in the current year. On the brighter side, the report should show that borrowings are roughly unchanged over 1973. The yield of 4.9 per cent. at 170p is covered a comfortable 3.3 times.

Statement, Page 28

Government loan for Automatic Oil Tools

Automatic Oil Tools has been granted a £500,000 loan from the Department of Energy under the terms of the Industry Act, the company announced yesterday. The terms include an option giving the Government conversion rights into the company's Ordinary shares.

The loan facility has been made to enable the company to expand its production of oil metering equipment and will be used to finance the production of equipment for metering stations in the North Sea. At each end of the line to Mediterranean pipeline. The latter project is under a contract recently announced worth £2.8m.

Comment

Basically Cuthbert is still in its period of metamorphosis. The interim stage as usual shows a pre-tax loss due to the seasonal

element of the seeds business and of the historically gardening-oriented Johnson Gibbons acquisition. Yet, unlike 1973-74, hardware is unlikely to represent the majority contribution to profits, as Cuthbert ploughs back income to develop, rather than invest in borrowings, which stood at £1m. last June. The hardware operation is still in its early stages, but there is the additional bonus of packets, printed in French as well as English, opening up European markets without much extra cost. Yet, as with much of Cuthbert's operations, the benefits are meant to be felt later in the decade rather than now, even though traditional seeds side has yet to beat full fruit in Canada, although a record year from seeds looks a strong possibility. Yesterday the shares closed up to 34p, which perhaps underlines the problem of evaluating Cuthbert's interim figures rather than provides any real comment on the future.

Barr & Wallace Arnold fall

OWNERS OF motor coaches and hotels, etc. Barr and Wallace Arnold announce a decline in pre-tax profit from £711,263 to £602,511, or 16.14 per cent. after a fall from £641,014 to £225,733 for the first seven months.

Earnings are shown at 3.61p (3.96p) per 25p share and the dividend is 2.75p net compared with 2.80p/66p.

With an eye to the worsening economic climate the reorganisation of the hardware division was accelerated. This entailed some exchange of present for future reward, but the group is beginning to see the first fruits of the difficult process of change.

The horticultural companies await the outcome of their trading season, but the rather earlier mail order season has set new records in revenue and there are signs of having gained a successful foothold for future expansion in the Canadian market, add the directors.

Basicallly Cuthbert is still in its period of metamorphosis. The interim stage as usual shows a pre-tax loss due to the seasonal

period, with a profits gain of a third, to finish nearly two-fifths lower, while the computer bureau shows a profits gain of a fifth now that the new Birmingham centre has become operational. The holiday division, where profits fell by 38 per cent. before provisions against Court Line and foreign currency deposits of £130,000, has curtailed Continental air operations and reports doubled Continental coach bookings, and U.K. demand for the high season at least, is up 10 per cent. In addition the travel division is receiving considerable help from recent work and sales of spares. Despite some evidence of an improvement in trading, the recent retreat of sterling could again create problems, and the shares, which at 28p yield 18.8 per cent. are clearly being treated with caution.

Hardy tops forecast with £2.6m.

COMPARED WITH the midway forecast of around £2.3m. Hardy and Co. (Furnishers) has turned in a pre-tax profit of £2.57m. for the year ended January 25, 1975. The 1973-74 figure was £2.73m.

The directors explain that trading in the early part of the year suffered from a three-day week and its after effects. The second half showed a considerable improvement and this better level of trading has continued into the current year.

The net dividend is unchanged at 2.81p, with a final of 1.664p.

The directors point out that the deferred profits carried forward now stand at £5.21m., compared with £5.14m.

Phillips Furnishing Stores, a subsidiary, reports profits up from £87,000 to £506,000 subject to £266,000 (£251,000). Of the profits preference dividends will absorb £13,000 and the Ordinary and "A" Ordinary £161,418 respectively.

The directors have waived the right to receive emoluments from the company, amounting in aggregate to £50,104 (£28,562).

* Equivalent after allowing for scrip issue. (a) To reduce disparity increased by rights and/or acquisition issues. (a) To reduce disparity.

■ comment

The second half of Hardy's year recouped most of the setback of the interim stage and the year's total was left little different, with a 1 per cent. increase in turnover and a 6 per cent. upturn in pre-tax profit.

The fall-off in credit sales after the introduction of HP restrictions at the end of 1973-74 was revised in the latter part of 1974-75 and, overall, the year's carry-forward was marginally increased against a decrease in the reserve of over £m. at half-time.

For 1975 Hardy is so far trading at a level similar to that of 1973-74, yet it is an operation which is highly vulnerable to economic changes and pressures on consumer spending. The fact that no doubt borne in mind and reflected in a yield of 12.6 per cent. at 36p.

■ comment

Barr and Wallace Arnold's pre-tax profits in the final five months have shown only a small improvement, and a 38 per cent. drop for the year follows a two-thirds drop in the first seven months. The motor division staged something of a recovery in the second

■ comment

Turner's pre-tax profit from £711,263 to £602,511, or 16.14 per cent. after a fall from £641,014 to £225,733 for the first seven months.

Earnings are shown at 3.61p (3.96p) per 25p share and the dividend is 2.75p net compared with 2.80p/66p.

With an eye to the worsening economic climate the reorganisation of the hardware division was accelerated. This entailed some exchange of present for future reward, but the group is beginning to see the first fruits of the difficult process of change.

The horticultural companies await the outcome of their trading season, but the rather earlier mail order season has set new records in revenue and there are signs of having gained a successful foothold for future expansion in the Canadian market, add the directors.

Basicallly Cuthbert is still in its period of metamorphosis. The interim stage as usual shows a pre-tax loss due to the seasonal

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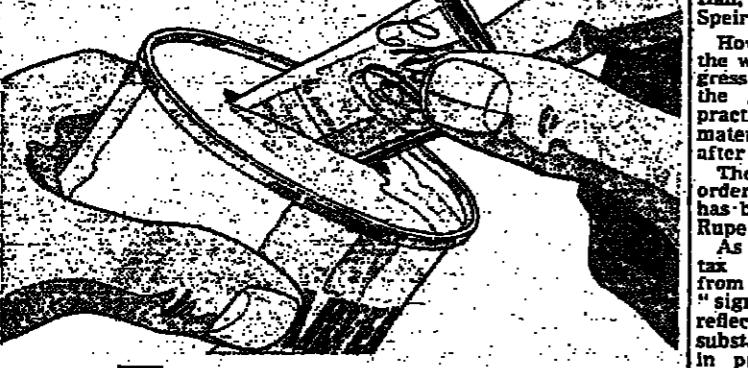
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How to give more to charity without paying out one single extra penny



When you have an account with the Charities Aid Foundation all monies in it are tax-privileged.

Thus, for every £1 you pay each year into your account from taxed income, around £1.15 is available for your distribution to charity.

To everyone who gave to charity would give from tax-privileged income, the value of charitable donations would increase enormously and charities would be able to solve many of their financial problems.

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Drawing on your account with the Charities Aid Foundation is simplicity itself.

As an account holder you will be given a book of Charity Credits. All you do is to complete one as if you were writing a cheque. You then give it or send it to the charity of your choice. You can even put it into a collecting box in the case of a door-to-door collection.

The CAF then debits your account and credits the charity with the amount specified.

How to open an account with the CAF

You can open an account with the CAF by covenanting an annual sum; or by transferring capital, under Trust, as a gift or loan; or in a variety of other ways which may be especially suited to your circumstances.

The CAF has prepared a series of booklets detailing their services. Please use the coupon to ask for the booklet or booklets that interest you.

48 Pembury Road
Tombridge Kent
TN9 2JD

To Charities Aid Foundation.

Please send me the following booklets:-

THE FACILITIES OF THE CHARITIES AID FOUNDATION

A guide to methods of giving to charity

TRUST FACILITIES

A guide to those who wish to give capital to charity

GIVING TO CHARITY FROM INCOME

A guide to individual donors

THE BUSINESS SIDE OF GIVING TO CHARITY

A guide to Company Directors

CHARITY CREDITS

An explanatory leaflet

DEEDS OF COVENANT

Their preparation and administration

Name _____

Address _____

PLEASE USE BLOCK LETTERS

CHARITIES AID FOUNDATION
Specialist in the administration
of tax-privileged funds for charity

ROYAL DUTCH PETROLEUM COMPANY
(N.V. Koninklijke Nederlandse Petroleum Maatschappij)
Established at The Hague, The Netherlands

FINAL DIVIDEND 1974

With reference to the announcement dated 16th May, 1975 regarding the FINAL DIVIDEND for the year 1974 on the shares of N.Fls.20 registered in the U.K. Section of the Amsterdam Register, Royal Dutch Petroleum Company announce that the rate of exchange fixed for the payment of the dividend is N.Fls. 5.5526 = £1. The gross amount of the dividend will be 81.045p per share and the amount of the 25% Netherlands Dividend Tax will be 20.281p per share: the net amount payable will therefore be 60.764p per share.

21st May, 1975 ROYAL DUTCH PETROLEUM COMPANY

All of these Securities have been sold. This announcement appears as a matter of record only.

\$300,000,000

Texaco Inc.

8% Debentures Due 2005

Interest payable May 1 and November 1

MORGAN STANLEY & CO.

Incorporated

DILLON, READ & CO. INC. THE FIRST BOSTON CORPORATION GOLDMAN, SACHS & CO.

MERRILL LYNCH, PIERCE, FENNER & SMITH

Incorporated

BLYTHE EASTMAN DILLON & CO. DREXEL BURNHAM & CO. HALSEY, STUART & CO. INC.

Incorporated

Affiliate of Bachr & Co. Incorporated

HORNBLOWER & WEEKS-HEMPHILL, NOYES

Incorporated

KIDDER, PEABODY & CO.

Incorporated

LEHMAN BROTHERS LOEB, RHOADES & CO. PAINE, WEBBER, JACKSON & CURTIS

Incorporated

REYNOLDS SECURITIES INC.

Incorporated

WHITE, WELD & CO.

Incorporated

HARRIS, UPHAM & CO.

Incorporated

May 21, 1975.

Successful year ahead for Matthew Hall

ALTHOUGH THE uncertainty in economic outlook, with continuing inflation, cannot be ignored, indications are that 1975 should be a successful year for Matthew Hall, says chairman Sir Rupert Speer.

However, a high proportion of the work load will still be in progress at the year-end and under the group's present accounting practice profits thereon will not materialise in the accounts until after 1975.

The year started with a record order book and so far trading has been satisfactory, reports Sir Rupert.

As reported May 2, group pre-tax profits for 1974 improved from £2.05m. to £2.12m. A "significant factor" not fully reflected in the results was the substantial increase in contracts in progress in the group's oil, chemical and industrial engineering business which would be of considerable benefit to future profits, says the chairman.

In 1974 Matthew Hall Engineering made a major breakthrough in the U.K. oil and gas market and secured over £120m. of North Sea contracts.

The tremendous upsurge in activity has necessitated the opening of regional offices in Manchester and Southampton. The future looks bright, with a world-wide demand for process plant engineering, particularly from the Middle East and aided by world-wide offshore exploration and production activities.

At Holiday Hall (the electrical and instrumentation services offshoot) work in hand for 1975 is in a strong position and work load is expected to be well up on last year. A large order has been obtained recently covering services for an oil platform module and it is anticipated that further work of this type should further increase significantly in the future.

The prospects in the fields of North Sea oil and gas exploration and production have provided Mr. C. Plant, chairman, says that during the year the company had to overcome the power strike and the three-day week, the resultant delay in installing new processing equipment, and an extreme shortage of chemicals which affected the production process. In common with other U.K. photo-finishers, the introduction of new Kodak technology also gave rise to difficulties.

Reorganisation following the sale of the business of Photo-Finishers in the Staverton Field, during the year, there was a net cash outflow of £200,554. This reflects a decrease from £1,260,284 to £602,120 in short-term deposits, and a reduction from £447,891 to £175,801 in net cash balances.

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INTERNATIONAL COMPANY NEWS + EURO MARKETS

Sidmar postpones plans to double steel capacity

BY DAVID CURRY

BRUSSELS, May 20.

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Siemens aims to expand medical technology sales

BY GUY HAWTIN

FRANKFURT, May 20

THE MEDICAL technology division of Siemens plans to increase its turnover by 21 per cent to open a factory in Connecticut in October this year. The aim is that within the first five years the new factory's output will rise to about \$10m. Against this the division's 35 outlets record sales of about \$100m. a year.

Some two-thirds of Siemens' medical business is in the area of X-Ray technology, including the new nuclear technology. Some 16 per cent of turnover comes from the "electromedicine" field, while 13 per cent is generated in the dental technology area. Hearing aids, of which Siemens is one of Europe's three largest manufacturers, account for only 2 per cent of business.

Some 20 per cent of world production of X-Ray apparatus is attributable to Siemens and in Europe the concern holds a 20 per cent share of the market. In the nuclear technology sector, where the field's fastest growth rates are foreseen, the German concern is working in co-operation with two American concerns—Ohio Nuclear and Applied Radiation Corporation.

Enka gives 1974 profit figures

BY ROBERT GRAHAM

AMSTERDAM, May 20. AKZO'S FIBRES division Enka Glastoff earned FL83.1m. net in 1974 on sales of FL3.75m. Chemical fibres output last year amounted to 465,000 tonnes and sales 436,000 tonnes.

This is the first time these profit figures have been published. They appeared in Enka's staff journal, but no comparisons were given. The company said it plans to publish figures every year from now on.

The Board says Akzo's recent first quarter figures clearly show Enka operated at a loss in the first quarter. The 1974 net profit was not unreasonable in view of the problems of stagnating sales, rising stocks, production cuts and short time working, particularly in the second quarter, when steel prices were at their peak.

However, the absence of spectacular profits is put fairly and squarely at the door of the wage bill. Wage costs were 35.39 per cent higher in 1974 than the previous year, partly inflated because the work-force was expanded. The rise in hourly wage costs is put at 26.53 per cent.

A bonus for the company was the movement of currencies since raw materials were purchased in dollars. Over this period the Belgian franc performed very strongly against the dollar and Cockerill is thought to be expecting a first half loss.

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Dollfus-Mieg sales warning

BY GILES MERRITT

PARIS, May 20.

FRANCE'S LARGEST selling textile concern, Dollfus-Mieg et Cie (DMC), has announced that consolidated net earnings for 1974, including minority interests, rose by Frs.37.7m. against the group's 1973 net profit of Frs.24.5m.

But, in a warning against the French Government's continued deflation policies, the DMC management has stated in a letter to shareholders that the group has suffered a serious drop in business since September last year and that only a rapid improvement in France's economic climate can prevent a continuingly poor performance by DMC beyond this summer.

The textile group revealed that turnover during the first quarter of this year fell to Frs.534m. from Frs.547m. in the first quarter of 1974. And although DMC's sales of last year, DMC's sales were up around 25 per cent over 1973, at Frs.2.095m. the group has already pointed out that during the first nine months of 1974 turnover was 33.9 per cent up over the same 1973 period. But from September onwards, the deteriorating economic situation aggravated by the lengthy postal strike in France which forced some of DMC's factories to reduce working hours, cut the yearly sales increase back sharply.

With 27,000 employees, the Dollfus-Mieg group is probably France's major textile exporting concern and has no doubt been partially insulated by the 45 per cent of its sales that go abroad.

In spite of late 1974's disappointments, the group has nevertheless been able to declare a marginal dividend increase and plans to pay Frs.8.65 per share rather than last year's Frs.6.00.

At its AGM in June DMC is also to propose a one-for-ten free share issue.

• Thomson-Brandt is making a convertible bond issue priced at par comprising 973,600 bonds of Frs.190 each bearing a 7.75 per cent coupon.

The bonds are convertible on a one-for-one basis, and reserved for shareholders on the basis of one bond for five shares.

Net convertible group turnover in the first 1975 quarter was Frs.2.7bn. (2.58bn.).

Concern grows over prospects for HSI

BY ROBERT GRAHAM

ROME, May 20.

THERE IS growing concern here in the Press that HSI could end up as a mere commercial operation. The situation however is complicated further by the fact that HSI grew out of one serious attempt to enter the international computer market.

HSI was originally set up by Olivetti and was hived off in 1968 in a major company restructuring.

Since then Olivetti has on

occasions let drop hints that it

was a mistake to have pulled out

of computers. Indeed in the past

two years, on a highly selective

basis, Olivetti has begun to move

in to the field of mini-computers.

Although there is no hint yet

of a renewed Olivetti interest in

HSI, there have been calls for

state intervention to ensure that

HSI continues at its current

level. The communist party news-

paper L'Unità, for instance, this

week published an article attack-

ing the lack of government

initiative in the computer field,

saying that Honeywell's new

French company further

threatened Italy's limited

presence in advanced technology.

THE DECLINE in the economic climate has forced the Belgian steel producer Sidmar to postpone an investment programme aimed at virtually doubling its capacity.

An investment programme to raise capacity to 3.2m. tonnes a year by 1976 is already under way at a cost of some B.Frs.6.5bn. (£3.5m.), while a further programme to increase it further to 3.5m. tonnes at a cost of an additional B.Frs.2.76bn. has been approved, though implementation is unlikely in the immediate future because of the poor situation in the steel industry. However, a project to push up capacity to 6.5m. tonnes at a cost of between B.Frs.20bn. and B.Frs.40bn. has been deferred, though the company says "the dossier has not been closed."

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For appointment see Notice of Senior Lectureship or Lectureship in ORGANISATION BEHAVIOUR, VOLUME 1, No. 1, 1975, page 112.

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FINANCIAL TIMES SURVEY

Wednesday May 21 1975

JULY 1975

SEYCHELLES

The Seychelles islands in the Indian Ocean, which are due to gain independence from Britain next year, make up a community whose economic prosperity is being transformed largely by exploitation of its tourist resources. But a few political questions need to be clarified before independence.

Tourist paradise takes shape

WITHIN about a year Seychelles, the cluster of 90-odd islands about 1,000 miles east of the coast of Kenya, should be an independent state. The dwindling stock of British colonies will have been reduced by one and there will be one more voice at the United Nations and another member of the Commonwealth.

It would be misleading to infer from this that the inhabitants of Seychelles are all obsessed with the fervour of auburn. Both the islands' political parties fought the last election in April, 1974, on independence platforms and a constitutional conference in London last March agreed that independence should be granted by June next year. Seychelles is thus committed, but there are still Seychellois who, while accepting the inevitability of independence, doubt whether it will be a success.

Seychelles has a population of about 56,000, most of whom live on the main island, Mahe, possibly also New York (at the end a large number of those in the capital, Victoria). There are no indigenous inhabitants and external security given the fact the people come in every shade that Britain is not offering a system which reflects West-

from white to black. Although English is the official language, they speak creole, a French patois, among themselves. They are almost all startlingly attractive, as indeed are the islands they live on and race relations are no problem, although people usually try to marry someone with a lighter skin than themselves.

Until a few years ago the economy was almost entirely dependent on exports of copra (dried coconut) and cinnamon, and even now the value of imports is more than ten times that of exports, the balance of payments gap being made up with capital inflows and large sums of British aid. But

Aid for the recurrent budget is not usual for independent states so it needs to be explained why Seychelles is becoming independent at a stage some might judge premature. Initially Mr. Jimmy Mancham, the 36-year-old Chief Minister and leader of the Seychelles Democratic Party (SDP) wanted closer links with Britain and bravely told the UN Committee on Decolonisation so, arguing from a mixture of sentiment and economic practicality.

But two factors forced his hand. One was that Britain did not reciprocate his attention, especially in view of the withdrawal from east of Suez. The other was that the opposition party, the Seychelles United Peoples Party (SPUP), made independence a red hot issue, and

Seychelles does not intend to rely entirely on tourism for its future prosperity. It hopes to develop a deep-sea fishing industry, to improve its agriculture and to capitalise on its good air communications, and lack of exchange control by becoming an offshore financial centre. It balanced its budget for the first time this year but will need budgetary assistance from Britain after independence to meet the expenses of setting up a new State. It wants representation in London, and live on the main island, Mahe, possibly also New York (at the end a large number of those in the capital, Victoria). There are no indigenous inhabitants and external security given the fact the people come in every shade that Britain is not offering a system which reflects West-

ing a defence agreement in a somewhat grotesque way, he was able to do so with only about 52 per cent of the vote against 48 per cent for the SPUP.

The result only exacerbated the bitterness of the islands' politics and the antagonism between Mr. Mancham and Mr. Albert René, the leader of the Seychellois People's Party (SPUP), who is himself a fairly mild socialist.

But many Seychellois were designated freedom fighters by the OAU Liberation Committee, which sent them relatively large sums of money (up to \$20,000 according to most estimates) for the last election campaign. Over the past few years a number of bombs have been exploded, apparently in the cause of independence.

The independence movement became so effective that in April 1974 Mr. Mancham abruptly switched his policy and fought some observers of Seychelles as a shock therefore to an election on the issue of which party should lead Seychelles to constitutional independence. He won a decisive majority of seats in the Legislative Assembly (13-2) but Government. Mr. René accepted, first Prime Minister. If the legislative assembly is changed it for the possible use of the system which reflects West-

especially if the voting age is lowered from 21 to 18. The conference hoping it would be held on an early date for independence, and establish a constitution in which the SDP after independence has yet to be settled, although it would be position even if the number of seats in the Legislative Assembly had to be increased before the last election. It is by adding nominated members from each Party. But Mr. René

The extended run-up to independence will at least divert the islands' politicians from the system, and new elections before independence that there was no agreement on an independence constitution. It was finally reopened. The islands are developing power struggle in the Indian Ocean which is likely to intensify if the Suez Canal is reopened. The islands are strategically placed and could attract Soviet attention. Both political parties stress that they want to be neutral and see the Indian Ocean as a zone of peace.

Delicate

This is a cause which Mr. René may well invoke if, as he has hinted, he raises it at the next constitutional conference. The delicate issue of the future of three islands which are not part of Seychelles but which are in the Seychelles archipelago. The three islands—Aldabra, Farquhar and Desroches—were detached from Seychelles in 1965 and lumped with the Chagos archipelago into the British Indian Ocean Territory.

The Territory, known as BIOT, was set up in agreement with the U.S. Government and the U.S. Government will gain weight from the U.S. Government and straddles more than 2,000 miles of the ocean. Accord was reached at the time with the U.S. Government. Mr. Mancham has also adopted the issue in a minor way, perhaps in order to please Mr. René, and he recently raised it in the U.S. with a view could well favour his party, islands the U.S. provided the to making the Americans take

BASIC STATISTICS	
Area	96 islands 107 sq. miles
Population	56,000
GDP (1974 est.)	Rs.155m.
Per capita	Rs.2,800 (est.)
TRADE (1973)	
Exports	Rs.12.9m.
Imports	Rs.141.4m.
Exports to U.K.	£120,000
Imports from U.K.	£3.1m.
TRADE (1974)	
Exports to U.K.	£43,000
Imports to U.K.	£3.0m.
Currency	Seychelles rupee £1 = Rs.12.3

his line in the periodic Anglo-U.S. talks on the Indian Ocean, a session of which ended yesterday.

It needs to be stressed that there are few points of policy on which the two parties are seriously divided. There is little between them on the issue of development strategy, and on foreign policy Mr. Mancham has become reconciled to his former bugbear, the OAU, of which Seychelles will be a full member, while Mr. René is aware that for economic reasons a pragmatic approach to South Africa—and especially to South African tourists—is advisable.

As a dependent territory Seychelles is an associate member of the EEC, and this will continue after independence. The only real issue between the two parties, which is not likely to be miffed in coalition, is who the future ruler of Seychelles is to be.

James Buxton

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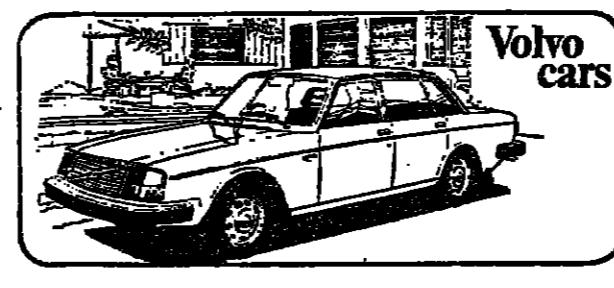
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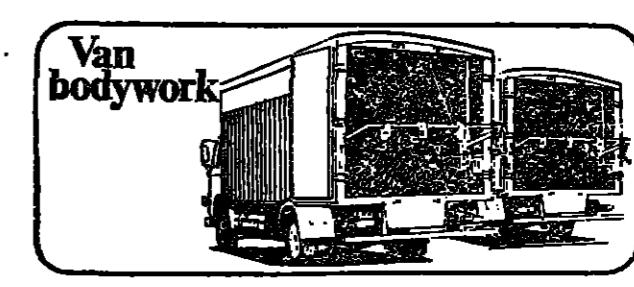
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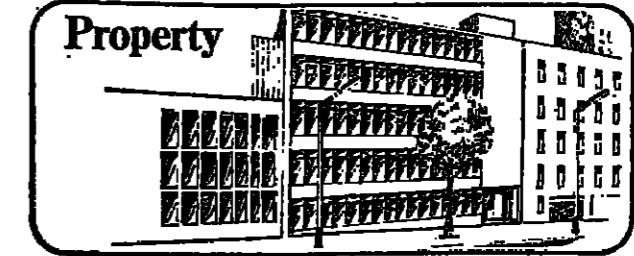
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IF AN HISTORIAN sits down in the early 1980s to write an economic history of Seychelles for the first time this year but in Mahe. Prices went up steeply. Cars appeared in large numbers on the narrow roads of the islands from their discovery in 1809 to the completion of the airport in 1971; describing the last 160 years of British rule, was almost totally dependent on exports of copra (dried coconut) and cinnamon, and on subsidies from Britain.

Next he will cover the hectic years from 1971 to 1974 during which the economy was transformed by the fast growth of tourism and during which the construction industry became the islands' largest single employer. In the third section he should deal with the period during which the distortions created in the second period were ironed out and Seychelles proceeded more soberly to create a secure economic base, attaining visibility around the end of the decade.

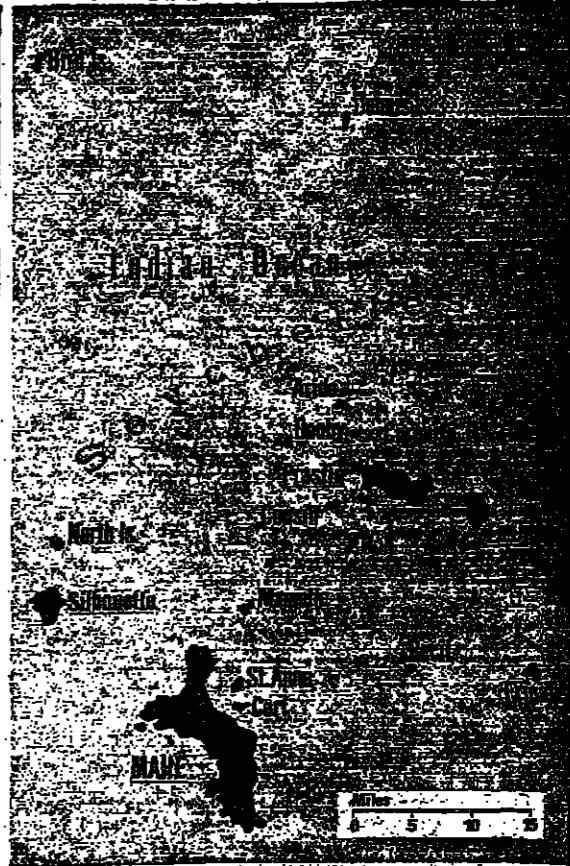
Statistics

Given fair economic and political winds the historian should be able to stick to this brief synopsis for the third section. But Seychelles is a long way from viability at the moment. Reliable balance of payments statistics do not exist but the trade figures show that in 1973 imports were valued at Rs 141.4m. (£10.6m.), while exports (not including re-exports) were Rs 12.9m. (£970,000)—less than one-tenth of imports. The balance of payments gap is met by inflows of private capital (or which no reliable estimate exists since there is no exchange control) and by development aid from Britain which in both 1974 and 1975 is about Rs 57m. (£4.2m.).

In the next five years Seychelles hopes to reach a situation in which it will not have to rely on development aid to balance its payments account although British aid will be forthcoming for at least the next five years; after independence aid from other countries can be expected.

The development projects on which these forecasts are made are considered fully in an accompanying article. But one of the principal aims of development strategy will be to try to correct some of the distortions created by the period of fast growth from 1971 to 1974.

The airport was completed in the middle of 1971 and from then on economic development focused on the construction of hotels for the tourist industry. As money poured in to pay the construction workers, and as the tourist industry began to employ increasing numbers of Seychellois, the standard of living in the islands rose. Tourists visiting the islands



Recession

By 1973 the construction industry was employing nearly 4,000 people from a total private sector labour force of 9,500. But the world recession last year brought a sharp decline in construction activity as existing hotel projects were completed and new ones were shelved. By the end of 1974 construction employment had fallen to about half the level of the previous year.

Because of this construction slump the unemployment rate is thought to be at about 10-15 per cent although in a relatively undeveloped economy such as that of Seychelles such figures are unreliable; a good deal of job sharing is known to go on. The figures are swollen, however, by the arrival on the labour market of large numbers of school leavers. The obvious potential for unrest is exacerbated by inflation: in the past year alone retail prices are thought to have increased by about third.

The high wages paid in the construction industry have drawn labour away from agriculture and so caused stagnation in many sectors. Although there

has been some drift back to the land and to fishing in recent months as unemployment has mounted this has not been as large as it might have been because many Seychellois associate agricultural work with slavery and prefer to do nothing. Fortunately, however, the tragic feature of well-educated young people leaving school to find themselves without a job is rare in Seychelles, since the education system is at the moment well-tailored to the economy's needs.

The recession fortunately has not affected the number of living in the islands rose. Tourists visiting the islands

bed occupancy rates have remained very high and there are now signs that construction work will pick up again. Although work on one hotel should finish in the next few weeks, construction of another should start later in the year and there are good hopes of two new projects getting under way next year.

But the real boost to the economy is not likely to come until the details of independence have been settled and the political future seems clearer. Many Seychellois who did well out of the sale of land for tourist development in the last few years transferred it to high

interest earning deposit accounts in the Channel Islands. Some of this money is at last beginning to trickle back to the two Seychelles banks, Barclays and Standard and Chartered, lured by more competitive interest rates than were offered in the past and aided by the absence of exchange controls.

But there has yet to be such a rush of money back to Seychelles as to suggest that Seychellois were preparing to invest in their own country.

One of the main constraints to economic growth so far has been the cost of expanding the islands' infrastructure. The roads are good compared with many islands of similar size, but they are probably inadequate for the number of cars now using them. The electricity supply is adequate for the present level of demand, but there has long been a water shortage despite the 100 inches of rainfall a year which Seychelles gets.

One of the next projects to be tackled, with the assistance of the Ministry of Overseas De-

velopment, is the building of a 53m. dam to retain water in a reservoir. This is now expected to go ahead this year.

Telephone

Telecommunications are handled by Cable and Wireless, which operates the islands' telephone service, provides telephone and telex links by radio to Nairobi and Bahrain for connection further afield, and operates the telecommunications for the police and airport. The telephone exchange with a capacity of 2,000 lines is being built at a cost of £360,000 to be ready in mid-1976. The company is ready to expand its overseas links when demand necessitates it but has no immediate plans to do so.

A new port at Victoria, the capital, was opened in March this year after costing £2.5m. to build on land reclaimed from the sea. This will transform the islands' cargo transport since ships of up to 700 feet in length will now be able to moor at the quay until now, all but the smallest had to anchor in the bay outside and use lighters for unloading. But because of the narrow channel through the coral, ships over 350 feet long will be towed into port by a tug, which is now on order from Hong Kong.

But even with faster handling there are still likely to be problems at the port. Shipping services to Seychelles tend to be passengers. So far Fraslin and Islander ships each carrying 150 passengers a day have been landing strips on Praslin, home of the 300 Bird Island, and there are plans to extend the port a year or two or three to come the airport and the port simultaneously. The new port will generate useful revenue for the Government.

James Buxton

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SEYCHELLES is a rich, fertile group of islands, of delightful fairy terms. They are white, with coal black eye plant, animal, bird and marine sockets and beaks, perching or life, some of it unique. It is lying along the branches like flecks of snow. They are permanent residents of Bird Island, as are also the black and brown noddy terns and other birds such as the white-tailed tropic bird.

In most other islands of Seychelles the fairy terns were almost exterminated by barn owls brought from East Africa to kill the island rats. Instead they must have found the fairy terns an infinitely more delicious meal. Barn owls are prohibited immigrants on Bird Island.

The birds are among the greater glories of Seychelles, and it is a favourite haunt of bird watchers and ornithologists. A prominent Seychellois, Mr. Guy Savy, has 2m. seabirds living in his back garden for some five months of the year. He owns a strip of coral called Bird Island, about 50 miles from the main island of Mahe and to this desolate, beautiful spot the sooty terns fly in to breed in huge, raucous colonies. Then they fly off with their young—to what place, or region nobody knows.

Recovered

I was told of an ornithologist who visited Bird Island to study the sooty terns. With the help of Mr. Savy's wife, Marie-France, he managed to ring a few thousand. Only one was later recovered, in Western Australia, and that was believed to have been blown off course by a storm.

It is also a mystery why the sooty terns choose Bird Island as a breeding place, totally ignoring Denis Island, 25 miles away, which is a similar coral island. That is not the end of the wonders of Mr. Savy's private bird sanctuary. It is a permanent rookery of bird life, alive with movement and a bedlam of crying and screaming.

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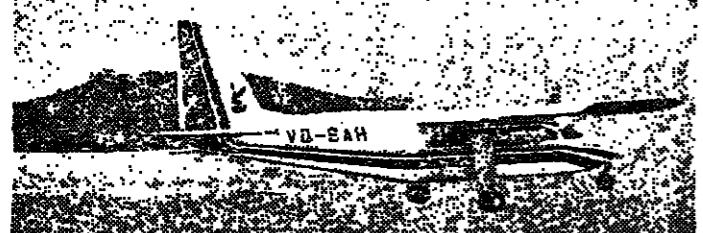
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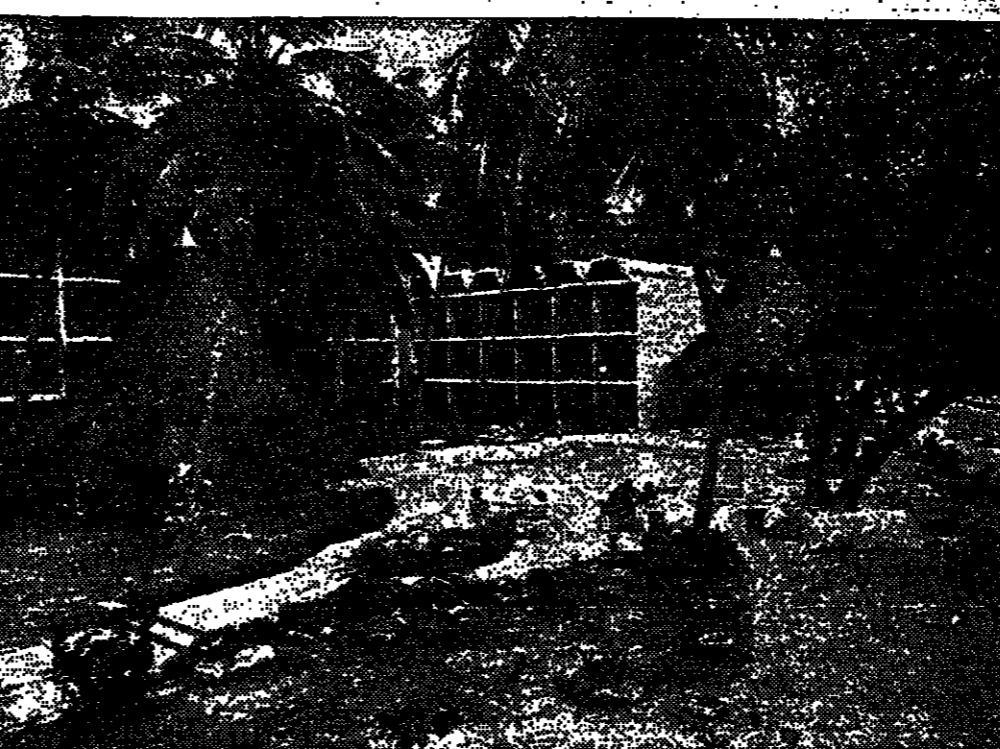
TOURIST development stemmed naturally from the building of the airport, and the beauty and sensual atmosphere of the islands have become Seychelles' best asset. But before tourist interest really started the Government realised that there are many dangers in encouraging tourism in a small and underdeveloped place. Too rapid physical development could destroy the "paradise" the tourists were being invited to see: it could cause social problems and make the inhabitants resent tourists, destroying their much-publicised reputation for "friendliness." It might soak up labour from other economic activities and cause them to stagnate; and it could make the islands prey to speculators. It could place the islands at the mercy of trends in the world economy and in the tastes of jet-setters over which Seychelles could have no control.

Up to 40,000 tourists are expected in Seychelles this year, compared with 26,000 last year and a mere 15,000 in 1972, the year after the airport was opened. With the hotel construction boom having slowed down it is a good time to take stock of what tourism has done to Seychelles so far.

Unimpaired

First it needs to be said that contrary to the cynical expectations of many Europeans the beauty of Seychelles is unimpaired. There are only three hotels with more than 100 beds, with one more due for completion shortly. Strict building regulations have kept the height of the hotels down to the level of the palm trees which makes them almost invisible from the sea. Although the roads of Mahe are busy with tourists chugging up and down in their rented Mini-Mokes the islands hardly swarm with them—most of them are concentrated on the beaches in front of their hotels. The long rugged west coast of Mahe, which must have some of the finest scenery in the world, is so far almost untouched by the tourist invasion. Two thirds of Mahe is either mountain or marine national park, and development on the other islands is strictly controlled.

On other points the conclu-



The Coral Strand Hotel on Mahe.

sion is less certain. As soon as more of people. But the number of tourists has so far been of more than 90 per cent, port might be built in Seychelles too small to allow much allowing for the single people speculators arrived and bought development of small businesses who have to take double rooms long stretches of coastline from the Seychellois landowners.

The rapid rise and fall of the construction industry naturally caused social tensions on which the peace of the islands, which each transfer has to be registered and is taxed in the (SPUP), while in opposition, attracts the tourists. Beyond islands, and any purchase of land by non-Seychellois has to be made in Seychelles and paid for in rupees, although the money can be exported later.

The initial flood of speculators took the inexperienced Government officials by surprise and at first they found it difficult to distinguish between their genuine developers and pure speculators. This led to some minor disasters, and the vetting procedure is now much more effective.

The growth of tourism brought a decline to traditional agriculture but stimulated new enterprises to feed the tourists. Other activities such as the renting of hire cars were developed, and the new construction industry put money into the pockets of large numbers of tourists now than they were when they first arrived. In terms of the number of tourists a year (each staying an average of 10.5 nights) has been held. Seychelles has not yet scaled down to about 100,000, the cold draught of the world and this figure should be economic recession, although it reached by the end of the has, of course, experienced it in the decline in construction. The to meet the target. The to the Government from the tourists using the existing average of 10.5 nights has been described elsewhere in this Survey or simply enjoy a sojourn aircraft to one of the islands, on which there are some hotels, explore the wilds of the island, or simply enjoy a sojourn. As for the Sodis, Alec Waugh describes them many years ago as "handsome, ardent, gracious and utterly invincible. They have not changed."

image of privacy and solitude. Africa, as their potential that they can be built without fast-growing market. The outside expertise and the hope to take more visitors from South Africa, Kenya, Zambia and Malawi, and hope that the sector will make up one-third of the market in three years. The European share of the market is expected to decline slightly or more. Visitors are anticipated from North and South America, presumably as an extension to the East African. But little growth is expected in the Asian market.

The other main view is that in addition to two or three large hotel projects which are likely to go ahead in the next year or two, a further two large projects should be authorised. Allowing for a high bed occupancy rate of 70 per cent and 10.5 tourist nights this would reach the target of 4,000 beds which are needed for 100,000 tourists.

What do visitors to the Seychelles get? Few bright lights, limited nightspots, international food, not the cheapest prices. Instead a peaceful, happy day in a climate which has a fair share of heat, wind and rain but which for the most part is gentle and very relaxing. One can either lie on the beach front of one's hotel and swim in the warm water (except on the east coast of Mahe where the water is much colder), or undertake more energetic activities. These include snorkelling, skin-diving, fishing and boating, while exploring the island roads in a Mini-Moke.

One factor which is likely to influence the Government's decision is the fact that most of the coastline is already in the hands of speculators. Although developers have to apply for a building permit before going ahead with projects (which are not necessarily granted) and must also present a workable feasibility study of the project to confirm the financial viability of the backers, the Government is still to some extent at their mercy. It can stop them building but it cannot make them build.

The Government welcomes Seychellois who come forward with projects for small hotels, but for many projects it is hard to persuade speculators to part with their land since they hope to get a better price for it another day. This suggests that the lobby which supports a few large hotels may win the day.

In the longer term restricted development of some more of the outer islands in addition to Praslin, La Digue and Bird Island, is contemplated. This is likely to be on a much smaller scale than on Mahe because of the high transport costs. But with so many islands available the scope for development of all kinds is enormous.

Seychelles' largest market for tourists is Europe, especially Britain, Germany and France. Of the 26,000 tourists arriving in Seychelles in 1974, about 14,000 were from Europe; of the rest, 7,000 were from Africa and the Indian Ocean, 2,000 from North and South America, and 3,000 from Asia. But taking into account the long flight from Europe, Seychelles planners see African and probably South

Problems of BIOT

BIOT is not a new health drink. It represents the initials of the newest, smallest, least populated and most restricted colony in the vestigial British Empire—the British Indian Ocean Territory. It is not easy to visit BIOT. In fact, for all practical purposes it is impossible to go there being either forbidden defence territory, forbidden tern and tortoise territory, or just so far away in the wastes of the Indian Ocean that it would take months to get there.

BIOT was created in the middle 60s specifically to form a link in Western defence strategy. It contains Diego Garcia, a large atoll with a big lagoon on which a U.S. air and naval facility is being built, the subject of violent controversy among the countries on the Indian Ocean littoral. The territory is administered from Seychelles, whose Governor is the Commissioner with the Deputy Governor the Administrator. What happens to BIOT when Seychelles becomes independent next year is bound to loom large

in the pre-independence constitutional conference in January.

The territory consists of four groups of coral islands and atolls. Chagos, Aldebaran, Desroches and Farquhar. They are mere coral dots in the ocean, none more than about 12 feet above sea level. There are no permanent inhabitants, but there is a shifting population of about 500, mostly migratory labourers on the copra plantations, and fishermen, if you exclude the American defence

Garcia runs the risk of encountering armed U.S. Marines.

BIOT is running into trouble from several sides. The base on Diego Garcia is under fire from Sri Lanka, India and Tanzania, all of them concerned about the power build-up in the Indian Ocean and wanting it declared a "zone of peace" and the base closed down and evacuated. Big pressures are likely to be put on Seychelles after independence to exert its influence on Britain, including pressures from the OAU, of which Seychelles will be a member. It is difficult to see this being very effective.

From another side BIOT may confront Britain with a big problem when the final run-up to independence comes next year. Mr. Albert René, the SPUP leader, has raised the question of whether the three former Seychelles islands of Aldabra, Desroches and Farquhar, should be returned to Seychelles. Aldabra, of course, could have considerable publicity value for the new state, but Desroches and Farquhar are merely coconut plantations, too far away to be administered economically. If BIOT were broken up it would leave Britain with the embarrassing rump of Diego Garcia, and the question of what to do with it.

Abolished

The question of the administration of BIOT must also be tackled by the British Government. In the coming independence constitution the present Seychelles Governor would go, to be replaced by Governor-General representing the Queen.

How, then, to govern and administer BIOT? It is unlikely that the Commissioner and Administrator would be based in Seychelles after independence. That, I was informed on the highest authority, would "just not be on." Britain is likely to be faced with having to base the administration of this unlikely territory in London, 6,000 miles away, and deposited in the care of an official in the Foreign and Commonwealth Office.

There is a British resident representative on Diego Garcia. Apart from the sale of stamps, of which several issues have been printed. The only BIOT post office is the Norvaer, the territory's boat, but stamps can be obtained at the Post Office in Victoria, capital of Seychelles.

The Chagos islands are now lonely and empty of permanent inhabitants, who were removed to Mauritius and Seychelles. They once grew the best coconuts in the world. Aldabra was leased to the Royal Society and a permit is needed to go there. An uninvited visitor to Diego

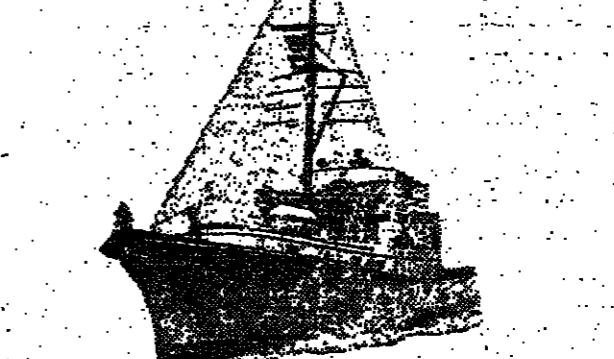
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Profit-taking hits shares: Dow off 7

BY OUR WALL STREET CORRESPONDENT

STOCKS TRADED over a narrow range and in both directions most of the session before falling in the last hour of trading. The weak tone was partially attributed to profit-taking.

Analysts suggested that sentiment may have been dampened by a U.S. Government report which indicated the economic recession in the first quarter was worse than had been originally reported.

The Dow Jones Industrial Average fell 7.90 to 880.49, while the NYSE Common stock index lost 2.21 to 47.80. Declines led advances 7.43 to 833. Turnover expanded to 18.31m. shares. The Standard & Poor's Index lost 1.44 at 168.22. Stocks fell 1.93 to 233.38. And Utilities fell 0.13 at 78.03.

IBM fell \$3 to \$213. The company denounced the U.S. Government's monopoly suit against the company in opening remarks at the civil anti-trust hearing.

J. C. Penney fell \$2 to \$335 after announcing that first quarter earnings had fallen by 80 percent. Meets Machine lost \$2 to \$107 after reporting sharply lower quarterly earnings.

Mountain Fuel Supply climbed \$11 to \$271. The company announced that natural gas was flowing at a rate of 3.4m. cubic feet per day during a test in a development well in North-East Wyoming.

Worley Inc gained 1 to \$26. The company and Clark Oil and Refining announced the termination of merger discussions. Clark Oil's stock lost 1 to \$111.

Hewlett-Packard dropped a point to \$103 after trading as high as \$106 after reporting improved earnings.

General Motors and Ford Motor fell 1.75 to 293. Turnover was in the Motors sector while Standard of Indiana and Standard of Ohio lost more than a point each among Oils.

Du Pont fell \$1 to \$124 in Chemicals. Heavily traded Kaiser Aluminum lost \$1 to \$27.

Prices on the American Stock Exchange edged higher in light trading. The Amex index rose 0.16 to 37.37. Declines led advances 203 to 295. Turnover was 23.4m. shares (1.36m.).

Research-Cottrell gained 3 to 517. It reported a profit in the second quarter against a loss a year ago. Bradford Computer lost \$1 to \$123, however, while Syntex and Houston Oil and Minerals surrendered fractions.

OTHER MARKETS

Canada mixed

Gold securities posted a sharp gain although stocks generally trended lower after a light day's trading on the Toronto Stock Exchange. With the total volume down to 1.36m. shares against Fri-

day's 1.34m. Declines led advances 37 to 175 by the close.

The Industrial Index ended at 181.10 at 0.42. The Golds Index at 400.80 was up 19.3. Base Metals were up 0.80 to 72.83. And Western Oils at 161.88 were up 1.74.

The rush to Golds was following strength in the bullion markets. Campbell Red Lake was the biggest gainer, up \$1 to \$21.50.

PARIS—Stocks fell in quiet trading with Banks, Portfolios, Foods, Constructions and Stores easier. Drinks, Cars, Engineering and Electricals made smaller losses. Metals, Oils and Chemicals also fell.

BRUSSELS—The market was

CFP was lower after announcing a sharp fall in quarterly turnover. Carrefour lost Fr.19 and Agfa-Gevaert Fr.5.

Golds were steady but Americans and foreign oil companies were weaker.

FRANKFURT—The market continued irregular, with an easier bias overall.

Among industrial leaders, both Nestle and Fischer Bearer declined on sustained selling pressure, while in irregular Engleberts, BBC Bearer improved and Sulzer Registered and participation certificates eased.

Chemicals were irregular while

in Financials, Juventina Bearer and participation certificates and Motor Columbus were easier.

Oriflak-Buehler firm, however,

Issues firms, led by Zuercher Bearer and Registered and Buech-

lower, except IBM and Boeing which held steady.

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lowering bearer, while major banks eased, apart from slightly higher Volksbank.

FRANKFURT—Shares generally tended lower in sporadic and dull trading.

Electricals, Motors, Engineering and Steels all fell up to DM1.50 with Thyssen dropping F.M.L.80. AEG and Siemens led Electricals down. Banks and Stores were mixed. Commerzbank rose DM1.50 while Deutsche Bank fell DM1.50. Veba fell DM2.50 after its Aral unit said it was raising its petrol prices.

On the Bond market Public Issues were mixed but Advances dominated.

MILAN—The market closed irregularly lower at the start of a new account, with many shares ex-dividend.

Montecatini, Fiat, Mira Lanza, Sika, Visconti and Anic lost ground, while both Pirelli, Olivetti Ordinary and La Centrale gained. Insurance met some small demand.

AMSTERDAM—Prices ruled quietly mixed with gains slightly outnumbering losses and sentiment aided by Wall Street's steady tone.

In Dutch Internationals Hoogendoorn, Unilever and Royal Dutch gained some ground but Akzo and Philips weakened.

Gains elsewhere were led by mining stocks. Heineken led the first profit decline published on Friday. Meesha, Bergoss, AMEV and VMP also fell.

OSLO—Irregular. Banks were steadier. Insurances weaker.

VIENNA—Steady in moderate trading.

COPENHAGEN—Mixed in moderate dealings. Banks gained ground.

JOHANNESBURG—Golds were steady in quiet dealings. Gains in small and medium-prices shares were between 5 and 20 cents. Heavyweights were little tested, however.

Financials were little changed but sometimes higher in line with producers. Platinums gained 5 to 8 cents on local support. Coppers however, were slightly lower. Other Industrials ruled steady.

HONG KONG—Advances led in active two-way trading and second-liners were particularly strong although smaller gains were recorded by leading issues.

TOKYO—Advances led declines as selective buying of recently neglected stocks offset profit-taking. As a result the market indices gained ground.

Blue Chips turned lower on

moderate dealings.

Pan-Continental gained five cents while Queensland Mines and Kathleen both added two cents.

Woodside-Barmah, easier in early trading rallied to close five cents higher and OH Search also scored a gain.

Takuma, Mitsubishi Chemical Engineering and Peata-Ocean advanced ahead of the result for the current term.

AUSTRALIA—The markets firmed in fairly active trading. Late demand pushed prices up with energy issues and industrial indices gained ground.

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STOCK EXCHANGE REPORT

Another broad advance but leaders well below best
Index up 2.1 at new 1975 peak of 355.9, after 361.8

Account Dealing Dates

First Declass. Last Account
Dealers' Dates. Dealing Dates
May 5 - 12. May 19 - 23
May 19 - 26. May 30 - Jun. 18
Jun. 2 - Jun. 12. Jun. 13 - Jun. 24

** New "date" denotes cash place
from 9.30 a.m. on business days earlier.

Equity markets enjoyed an
otherwise all-round advance yester-
day, leading the best.

But the best, in the latter stages of
trading, was not helped by talk

that an opinion poll to be pub-
lished to-day would show

reduced majority in favour of
staying in Europe. The FT 30-
share index, which touched its
base of 355.9, ended up to 361.8

at 2.1 better at a new peak for the
year of 355.9 and its highest
since December 3, 1973. The
earlier advance was helped by
fresh institutional demand.

Second-line equities again
attracted a fair measure of in-
terest, and the FT 100 index, the
rise being reflected in a 6.1
majority of rises over falls in FT-
quoted industrials, up from 7-2
on Monday. The FT-Articles
All-Shares rose 2.7 per cent
to a new 1975 "high" of 152.07.

Exporters and overseas

orientated companies again
steamed in the day's advance.

Trade-leading telecommunications
provided some good features. The
full in fund raising was broken
yesterday following news of a
proposed £14m. "rights" issue
from Eversholt.

Gilts quiet

British Funds passed a rather

quiet session. The reduction in
U.S. Treasury Bill Rates stimu-
lated a little activity in short-
dated stocks at the outset, but

this soon faded and initial gains

of around 2% were pared to an
end of 90p.

Charlton edged up 15p, and
Globe and Mail 15p, after 490p.

Pearl put on 8 to 230p, after
84p.

Although closing below the best
in places, on profit-taking,
Breweries and kindred issues
chalked up some useful price

gains. In a thin market, Vaux put
on 13 to 250p, after 257p, while

Wolverhampton and Dudley added

9 to 127p; the latter's interim

results are due to-morrow. Still

reflecting Press comment, Bod-
ingtons gained 6 to a 1975 "high" of
270p in active trading before

another good day.

Engineering leaders were

spotted closing 3 better on the day

before Beecham, awaiting to-day's

quarterly report, improved to

101c ahead of to-morrow's

Dell gives warning on loss of funds

By Nicholas Colchester in Bonn
and William Keegan in London

A WARNING that foreign lenders would withdraw their funds from the U.K. if the country fails to come to grips with inflation was given yesterday by a Treasury Minister in one of the most outspoken comments yet made by the Government on the economic situation.

The prospect was raised by Mr. Edmund Dell, in a speech during which he also said bluntly that: "The Government must bring public expenditure under better control because it is at present making too great a demand on the total resources of the country."

Mr. Dell's speech — to the National Union of Mineworkers' Summer School in Stoke — came on a day when union leaders were themselves developing the theme of the dangers attached to excessive pay rises, in advance of the TUC Economic Committee's meeting with the Chancellor to-day.

Backed

Mr. Len Murray, TUC general secretary, told the National Union of Public Employees — who backed a 33½ per cent. pay increase demand on Monday: "There is a growing view that 30 per cent. is the going rate and that there will be more on top of that, but in that direction there lies trouble and there lies danger for our society and for our class of people."

"What sort of sense is there to go on escalating?" Mr. Murray asked. "What do you solve to double wages overnight? There will be no real increase there, and you know it."

Reactions to the specific proposals by Mr. Jack Jones, general secretary of the Transport and General Workers, for a flat rate limit on wage increases — geared to increases in the cost of living — have varied from the Treasury's "showing interest" to a promise yesterday by Mr. Michael Foot, Secretary for Employment, that "of course we will give careful and urgent attention to this idea."

Amplifying the Government's concerns about wage inflation, Mr. Dell said that "if, nevertheless, excessive wage claims are pressed, prices must immediately respond to the increased costs."

He warned: "There can be no question of the taxpayer covering the cost, particularly in the energy industries. Coal is too vulnerable. Already much of the headroom which coal gained over oil in 1973 has been eroded. We must not allow the industry's bright future to be clouded by excessive cost increases."

Echoing the Government's acute embarrassment about the size of its own financial deficit, Mr. Dell conceded that the Government "may not be able to raise sufficient funds" from private sources at home "even if it has prepared to drive up interest rates beyond acceptable levels."

In this case, it has to borrow from the banks, almost if on overdraft. This is where the problems start. This method of finance enables the public authorities to settle their bills, but it tends to leave a corresponding flood of cash and bank deposits in the economy. It is known figuratively as resorting to the printing press."

These are the sort of words one would normally expect to hear only from the Opposition or an outside observer, rather than a Minister.

Lever for Bonn talks on economy

MR. HAROLD LEVER, the Prime Minister's special financial adviser, is expected to arrive in Bonn this evening for talks with Chancellor Helmut Schmidt and Finance Minister Hans Apel. The three will discuss general economic and currency issues.

It was stated officially in London and Bonn that Mr. Lever is not going to Germany with any specific request. The German Government spokesman, Herr Armin Gruenwald, explained that the trip was the result of a long-standing invitation dating back to the day last November when the German Chancellor addressed the Labour Party Congress.

The fact remains that the meeting will take place in the shadow of Britain's Common Market referendum and with sterling under conspicuous pressure on the foreign exchange markets. It will be surprising if these facts do not provide a nucleus for tomorrow's discussions.

Any talk of currency problems and the ramifications of petro-dollar recycling seems likely to lead to discussion of the outflow for the pound and on Britain's potential need for credit, given a further collapse in confidence in this currency.

Middle view on EEC decisive—Wilson

BY JOHN BOURNE, LOBBY EDITOR

THE PRIME MINISTER last night continued his more assertive approach to the case for Britain staying in the Common Market when he addressed the CBI's annual dinner.

He argued that in 1974, the EEC had taken more than one-third of Britain's exports — more than the rest of Western Europe and North America put together.

In the most recent quarter, the value of our exports to the EEC had increased by four per cent. over the previous three months when compared with November. Exports to Australia, New Zealand, South Africa and Japan taken together was 9.5 per cent.

"So in what I have said about the EEC there are hopeful signs of buoyancy with our exports."

Mr. Wilson made it clear that he was placing his trust in the referendum — but on the dedicated pro-Market — but on the subject of the legal construction of the EEC, the treaties, the jurisdictional powers and practices of the Commission — but how the Market was working in down-to-earth terms.

"These should include the operation of the Common Agricultural Policy — now the subject of a fundamental stock-taking — the control of budgetary expenditure in the Market and the functioning of the Commission."

"The pragmatic British are far from being alone in wishing reform. Our views are widely

above all to that significant body of opinion that I have been and shall be particularly directing my arguments during this campaign on TV and radio as well as in the half-a-dozen or more further meetings I shall be holding.

"That is also the approach of the Foreign and Commonwealth Secretary, whose masterly conduct of the negotiations, and whose knowledge of the Market as it really is, gives him an unrivalled authority in the conduct of this great national debate."

Mr. Wilson thought that middle opinion would especially regard as the cornerstone for their judgment not the legal construction of the EEC, the treaties, the jurisdictional powers and practices of the Commission — but how the Market was working in down-to-earth terms.

"But I am clear that Britain's prospects of solving our own problems . . . will be made immeasurably more difficult in the circumstances we have to live with, if the British people vote for the severance of Britain from the Community."

Referendum news, Page 11

BSC 'to make best' of pact with TUC steel committee

BY HAROLD BOLTER, INDUSTRIAL EDITOR

THE BRITISH Steel Corporation's management yesterday made it clear it intends to make the best of the agreement it reached with the TUC steel committee on Monday, and that it did not regard the deal as a defeat for its cost-saving plans.

Works group directors all of the BSC's plants were told that they are to notify Mr. Gordon Samuels, managing director responsible for personnel, of what action they have taken to implement the agreement by the weekend.

Before then, they have been told to call meetings with local union officials to inform them of the measures the Corporation wants to introduce.

First, all overtime for staff, process and craft personnel is to be reduced to "insignificant" levels in all plants and, where possible, totally eliminated.

Works managers have been told to keep a record of the steps they have taken to reduce overtime and how successful they have been.

Second, local managements have been told they are to take the initiative in dealing with individual cases involving chronic absenteeism and in cutting down labour pools which have been established to cope with the present level of absenteeism.

Works managers have also been warned that recruitment into the BSC is only to take place in really exceptional cases — and the effect of this could be very important.

Turnover

Although the Corporation would not be expected to recruit at the moment, because of the serious effects of the steel demand recession, it might be expected by the unions to replace workers who leave the industry.

Under the agreement reached on Monday, this replacement is not automatic and, while the labour turnover within the BSC averaging 20 per cent. a year at present (or over 40,000) this

could be very important to the management's plans to reduce running levels.

The BSC management is convinced that the agreement reached with the unions on Monday provides the Corporation with considerable scope for cutting costs, possibly by as much as £100m. a year.

It was also emphasised yesterday that Sir Monty has no intention of resigning from the Chairmanship of the BSC, although his plans for dismissals involving some 22,000 workers have been abandoned.

Our Labour Staff writes: Steel workers appeared more than ready yesterday to accept the proposed solution to the Corporation's immediate crisis.

Mr. Bill Sirs, incoming general secretary of the Iron and Steel Trades Confederation, said he foresaw little difficulty in persuading his 80,000 BSC members to follow the recommendations.

Editorial Comment, Page 18

News Analysis, Page 8

out that since most forms of unit trust sales last saving and investment scheme to month to a total of £33.9m. up by being well, the obvious inference is that a lot of it is new money coming from recently inflated incomes.

for April, 1974, and the value of funds under management is now £2.23bn. compared with £1.94bn. in March and £1.95bn. in this time last year. The new total is comparable to the industry position in November, 1973.

The April figure includes the initial offer of the TSB Scottish unit trust which was launched in March, but it is unlikely that this would have had any material influence on the total.

For the first four months of the year, the cumulative figure for the new investment is £76m compared with £27m. for the same period of 1974. This is only £10m. less than for the first four months of 1973. But the number of unitholders' accounts shows a marginal decline to 220,800.

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